Citigroup Global Markets Inc.

June 2020

Project Verge

Final Approval Memo

Project Verge DIP Final Approval Meeting

Meeting Details:

Date:	Wednesday, June 24, 2020
Time:	12:00 PM CT / 1:00 PM ET
Dial-in:	Dial-in: 1 (617) 337-4375 | Passcode: 970 516 8470

To:

Approvers	Level	Reason for Approval
Risk		
Greg Frenzel	ICG CRO	New Originations < $200mm
Paul Courdrier	Head of PMG	Citi Exposure
Nancy Rochford	Risk SCO L1	DIP Facility, Citi Exposure
Peter Baumann	IRM SCO L2	DIP Facility, Citi Exposure
Louis Esposito	ABTF Risk Product Head	DIP Facility
Business		
Richard Zogheb	SSO	JLA / Admin Agent
William Hughes	SSO	JLA / Admin Agent
Jeroen Fikke	SCO L1	Citi Exposure, Capital Approval
Shapleigh Smith	ABTF Business Head	DIP Facility
Michael Parker	SCO L2	Citi Exposure
Derrick Lenz	CO	Sponsoring Officer, Citi Exposure

CC:

Recipients	Group
Dina Garthwaite	ABTF
Anna Lekander	ABTF Portfolio Manager
Victor Spadafora	CNAI Legal Vehicle Treasury Approver
Evelyn Cheng	CNAI Business Approver
Julio Gurdian	Legal
*GCO NY Notification	
*CMO US Leveraged Finance Approval Notification	

Deal Team:

Corporate Banking	ABTF	GIRM	IRM	Capital Management
Derrick Lenz	Brendan Mackay	John Frezoulis	Peter Baumann	Nick Southard
Kaan Balabaner	Allister Chan	Albert Martinez Vila	Matthew Paquin	Trevor Atkins
Axel Swanson	Michelle Pratt		Noah Bronstein	Sonia Shi
Rayne Yu	Grant Klenovich			

1. Executive Summary

Executive Summary

Company Overview:

- Valaris (formerly known as Ensco and EnscoRowan) is the largest offshore drilling companies globally, with diversified operations across major offshore basins including U.S. Gulf of Mexico, Brazil, North Sea, Africa, Middle East, Mediterranean and APAC/Far East
- The Company's primary business is to contract its drilling rigs with a current fleet of 76 drilling rigs. In conjunction with this bankruptcy filing, the company plans on scrapping a total of 20 rigs with its pro-forma fleet comprised of:
  - 13 drillships (including 1 newbuild drillship in construction)
  - 6 semisubmersible rigs
  - 37 jackups:
    - 13 Harsh environment
    - 13 Heavy Duty
    - 11 Standard duty
- The company is a product of several recent mergers, including:
  - *October 2017*: Valaris acquires Atwood Oceanics for ~$865MM (4.5x LTM EBITDA) paid in stock; Atwood shareholders held 31% ownership in the PF entity
  - *April 2019*: Valaris acquires Rowan for ~$1.6Bn (25.4x LTM EBITDA) paid in stock; Rowan shareholders hold 43% ownership in the PF entity
- These 2 transactions moved Valaris from third-largest to largest fleet globally
- In 2016, Rowan and Saudi Aramco created a 50/50 joint venture, ARO Drilling, that owns, manages, and operates offshore drilling rigs in Saudi Arabia currently operating 7 jackups (more information in Company Overview section)
- From 2015-2017offshore drilling companies have seen large declines as high as 80% in EBITDA as utilization rates and day rates declined due to lower E&P capex combined with an overall shift from offshore to onshore
- In 2018 and 2019 dayrates and utilization began to rise steadily but were still below prior 2014 levels. Now with the COVID pandemic exasperated by an Oil price war many E&P companies have slashed capex budgets as much as 50% and the offshore industry is expected to decline even further as a result. Valaris, in particularly had negative 1Q EBITDA and publicly stated a restructuring would be forth coming. On June 1st, Valaris skipped there bond interest payment and have entered a 30-day grace period with the intention of filing for bankruptcy once that grace period has passed. The following page has a more detailed situation overview

Executive Summary (cont'd)

Situation Overview:

- On June 1st, the Company elected not to make two coupon payments totaling $25.9 million and entered into the 30-day grace period which expires on July 1
- On June 9th, Citi and the pre-petition RC SteerCo delivered an indicative term sheet to Lazard and Valaris outlining a DIP to Exit structure, including plan treatment of the funded prepetition RC ($427MM borrowed as of 6/16)
- On June 15th, the company elected not to make a $13.3 million coupon payment and entered into the 30-day grace period which expires on July 15
- The existing noteholder group has also provided a DIP proposal, however, they have not provided guidance around the size or structure of any new money contribution
  - Noteholders have indicated that they remain focused on improving the Company business plan and achieving agreement with the holdout Rowan bondholders
- Lazard has subsequently reached out to Citi and Perella requesting a standalone DIP proposal
  - The Company has shown willingness to file in the near-term in order to progress negotiations with stakeholders
  - The request for a DIP proposal is contemplated with potential for a June 30th filing ahead of the expiration of the bond coupon grace period

Relevant Parties:

- Company
  - Legal Counsel: Kirkland & Ellis
  - Financial Advisor: Lazard and Alvarez & Marsal
- RCF Bank Group
  - Admin. Agent: Citi
  - Legal Counsel: Shearman & Sterling
  - Financial Advisor: Perella Weinberg Partners
- Unsecured Noteholders Group
  - Legal Counsel: Akin Gump and Kramer Levin Naftalis & Frankel
  - Financial Advisor: Houlihan Lokey

Citi-led DIP Rationale:

- Provides Path to Near-term Filing
  - A near term filing reduces the pre-petition funded balance on the RC. Based on the Company's current 13-week cash flow forecast, the RC will be drawn ~$470M by week end vs.~$547M by month end . Under a June 30th filing, interest payments of $39 million will not be made in June, reducing prepetition funded RCF.
  - Absent an acceptable DIP proposal, the Company may continue to draw on the RCF to fund cash burn and debt service costs, including $44MM interest/principal payments in July and $178MM in August
- Credit Exposure Enhancement
  - Allows RC lenders to minimize unsecured exposure by converting the ~$1.1bn of unused RC into a $500MM Superpriority DIP Exposure
- Mitigates Noteholder Controlled Process
  - A noteholder provided DIP could cause unfavorable treatment to RC lenders. The plan treatment tied to a noteholder DIP may seek to cram down RCF lenders and could prime existing RC interests

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Executive Summary (cont'd)

DIP Financing Overview:

- Citi is proposing to raise a $500 million new money DIP facility, comprised of:
  - $300 million initially available, sized to fund the first 8 months of the case with minimum cash of $50 million
  - If an acceptable restructuring support agreement ("RSA") is reached by 8 months following the Petition Date, incremental $200 million available commitment
  - L + 675 bps; 1.0% LIBOR floor
  - $5 million structuring fee to Citi / 250 bps upfront to lenders
- Proceeds will be used for incremental liquidity to fund certain working capital needs of the Debtor during the case and to pay certain costs, fees and expenses related to the case
- The facility will be secured by a superpriority, priming lien on substantially all assets of the Debtors and its Guarantors
- The tenor of the DIP facility is 12 months from Petition Date

DIP Transaction Request:

- We request final approval to act as Admin Agent and Lead Arranger for the new money $500 million DIP facility
  - We seek approval for a final hold of up to $82 million in the new money DIP, but expect less given ratable offer to prepetition bank group
  - We are seeking to book the $82MM hold 50/50 between CBNA/CNAI. Please refer to the CBNA booking template for additional details along with booking rationale. The other alternative would be to book 100% of DIP in CNAI.
  - We are also seeking approval for a $25 million LC fronting line and a clearing line given our role as Admin. Agent (Total Tranche – Citi Hold)

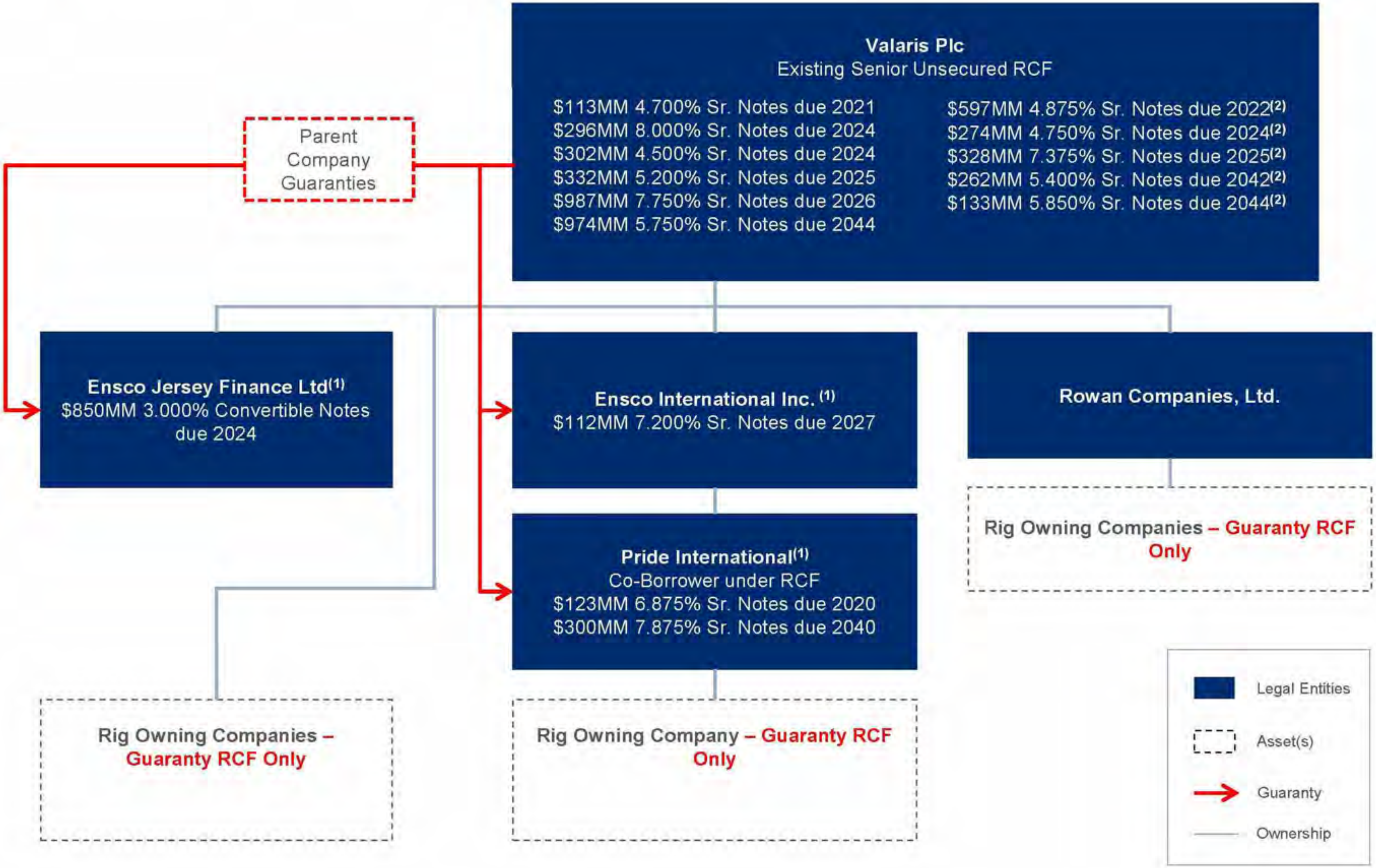
DIP Syndication Strategy:

- The DIP will be messaged as all banks must participate ratably. Citi anticipates broad participation as the DIP proposal enables RCF lenders to minimize unsecured exposure and control milestones during the bankruptcy case. Current unused RCF commitment of $1.1 billion will effectively convert into a Superpriority secured facility of no more than $500 million in aggregate
- We anticipate paying 250 bps upfront fees to lenders upon commitment to the DIP facility
- We are requesting that the SteerCo banks ratably backstop ~$41mm share of the DIP associated with SEB, Bank of China and NIBC in the event they are not able to commit under the accelerated timeline

DIP Classification & Ratings:

- Proposed Risk Ratings: ORR 5 / OLR 5- / FRR 5
- Proposed Classification: Special Mention (post-petition entity as Debtor in Possession)

Corporate Structure Overview



(1) Guaranteed by Valaris Plc
(2) Notes assumed by Valaris Plc from the Rowan Transaction

2. Valaris DIP Overview

Proposed Deal Structure / Approvals

Required Approvals

- Net TFA > $200mm, New Origination < $200mm and OLR of 10 – ICG CRO & CBNA CRO (Greg Frenzel)
- Citi Exposure of $142.1mm and OLR of 10 – Risk SCO L1 (Nancy Rochford), Head of PMG (Paul Coudrier) and Business SCO L1 (Jeroen Fikke)
- Transactional CSCL of $42.1mm – Risk SCO L1 (Nancy Rochford), Head of PMG (Paul Coudrier) and Business SCO L1 (Jeroen Fikke)
- JLA / Admin Agent– SSO Approvers (Richard Zogheb and William Hughes)
- DIP Facility – DIP Business Approver (Shapleigh Smith), DIP Risk Approvers (Louis Esposito, Nancy Rochford, and Peter Baumann)
- Global Capital Management – Business SCO L1 (Jeroen Fikke)
- Sponsoring Officer – Business CO (Derrick Lenz)

Transaction Grid

$ in millions)

								Hold Approval							
Facilities	Public Ratings	FRR	Tenor	Total Tranche (1)	Citi Commitment (2)	UW Amount (3)	Best Efforts Amount (4)	Final (HFI)	To Sell (HFS/PPSD)	Total Approved Hold (5)	Stress Loss	Classification	Leveraged Tagging	Off-RAC	Cov-Lite
New Money DIP	--	5	12M	$500.0	$82.0	$0.0	$0.0	$82.0	$0.0	$82.0	$0.00	SM	Core	TBU	TBU
New Fronting	--	1	12M	$100.0	$25.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.00	P	N/A	N/A	N/A
Total				$600.0	$107.0	$0.0	$0.0	$82.0	$0.0	$82.0	$0.00				

Exposure Summary

($ in millions)

($MM)						TFA				Relationship Exposure						Citi Exposure					
										Exposure			Risk Capital			Exposure			Risk Capital		
GFRN	Obligor	Facility Long Description	FRR	Classification	Tenor/ Maturity	Current	Change	Proposed	% of TFA	Current	Change	Proposed	Current	Change	Proposed	Current	Change	Proposed	Current	Change	Proposed
Direct Facilities																					
TBU	VALARIS PLC - DIP	New Money DIP	5	SM	12M	0.0	82.0	82.0	48.8	0.0	82.0	82.0	0.0	2.5	2.5	0.0	82.0	82.0	0.0	2.5	2.5
US955011-1	VALARIS PLC	LOAN - REVOLVING	10	SS	09/30/2022	191.3	-138.2	53.1	31.6	191.3	-138.2	53.1	1.3	-0.9	0.4	191.3	-138.2	53.1	1.3	-0.9	0.4
US2322522-1	VALARIS PLC	LOAN - REVOLVING	10	SS	09/30/2022	43.8	-31.6	12.1	7.2	43.8	-31.6	12.1	0.3	-0.2	0.1	43.8	-31.6	12.1	0.3	-0.2	0.1
Total Direct						235.0	(87.8)	147.2		235.0	(87.8)	147.2	1.6	1.3	2.9	235.0	(87.8)	147.2	1.6	1.3	2.9
Fronting Facilities																					
TBU	VALARIS PLC - DIP	New Fronting Facility	1	P	12M	0.0	20.9	20.9	12.4	0.0		0.0	0.0		0.0	0.0		0.0	0.0	0.0	0.0
US1042898-2	VALARIS PLC	FRONTING RISK-LOANS &	3+	P	09/30/2022	42.8	-42.8	0.0	0.0	0.0		0.0	0.3	-0.3	0.0	0.0		0.0	0.3	-0.3	0.0
Total Fronting						42.8	(21.9)	20.9		0.0	0.0	0.0	0.3	(0.3)	0.0	0.0	0.0	0.0	0.3	(0.3)	0.0
Other Citi Exposure																					
Issuer Risk																(5.1)		(5.1)			
Contingent Collateral																0.0		0.0			
Equity Investments																0.0		0.0			
PSE Based Gross TFA / PSLE Exposure						277.8	-109.7	168.1		235.0	[illegible]	147.2	1.9	1.0	2.9	229.9	[illegible]	142.1	1.9	1.0	2.9
PSE Based Net TFA / PSLE Exposure						277.8	-109.7	168.1		235.0	[illegible]	147.2	1.9	1.0	2.9	229.9	[illegible]	142.1	1.9	1.0	2.9
Other Facilities						Current	Change	Proposed													
Clearing						0.0	418.0	418.0													
Settlement						0.0	0.0	0.0													

(1) Total Tranche = Deal Amount (2) Citi Commitment = Citi's total legal commitment to the facility/tranche (3) U/W (Underwritten Amount) = Citi Commit - Total Approved Hold (4) Best Efforts Amount = Total Tranche Amount - Total Approved Hold when Citi is Lead Arranger/Joint Lead Arranger/Bookrunner (active or passive) (5) Total Approved Hold = Final Hold (HFI) + HFS/PPSD

Free Fall Bankruptcy Financing Overview

Pro Forma Capitalization

($ in millions)	Prepetition	Adj.	At Filing	Bankruptcy Adj.	Executed RSA (8 Months)	Bankruptcy Adj.	12 Months	Rate	Maturity	Pricing 6/17/2020	Pricing 5/22/2020
Cash	201.0	-	201.0	(151.0)	50.0	-	50.0				
Revolver Availability *(net of $100mm LCs)*	992.0	(992.0)	-	-	-	-	-				
New DIP RCF Availability	-	300.0	300.0	(289.0)	11.0	23.0	34.0				
Total Liquidity	**$1,193.0**	**($692.0)**	**$501.0**	**($440.0)**	**$61.0**	**$23.0**	**$84.0**				
DIP Financing											
New $500MM DIP RCF	-	-	-	289.0	289.0	177.0	466.0	L + 675 bps	6/30/2021	[redacted]	
Total DIP Financing	**-**	**-**	**-**	**$289.0**	**$289.0**	**$177.0**	**$466.0**				
Pre-petition Debt											
$1.6 bn Revolving Credit Facility	508.0	(508.0)	-	-	-	-	-	L + 425 bps	9/30/2022		
Total Rig-Owning Subsidiary Guaranteed Debt	**$508.0**	**($508.0)**	**-**	**$289.0**	**$289.0**	**$177.0**	**$466.0**				
6.875% Senior Notes due 2020	123.0	(123.0)	-	-	-	-	-	6.875%	8/15/2020	10.853	7.630
7.875% Senior Notes due 2040	300.0	(300.0)	-	-	-	-	-	7.875%	8/15/2040	11.410	9.930
7.200% Debentures due 2027	112.0	(112.0)	-	-	-	-	-	7.200%	11/15/2027	12.252	8.872
3.000% Exchangable Senior Notes due 2024	850.0	(850.0)	-	-	-	-	-	3.000%	1/31/2024	12.501	13.354
Total Guaranteed Debt	**$1,893.0**	**($1,893.0)**	**-**	**$289.0**	**$289.0**	**$177.0**	**$466.0**				
4.700% Senior Notes due 2021	101.0	(101.0)	-	-	-	-	-	4.700%	3/15/2021	9.505	7.986
4.875% Senior Notes due 2022	621.0	(621.0)	-	-	-	-	-	4.875%	6/1/2022	13.717	9.392
8.000% Senior Notes due 2024	292.0	(292.0)	-	-	-	-	-	8.000%	1/31/2024	10.483	6.772
4.750% Senior Notes due 2024	319.0	(319.0)	-	-	-	-	-	4.750%	1/15/2024	11.876	9.672
4.500% Senior Notes due 2024	303.0	(303.0)	-	-	-	-	-	4.500%	10/1/2024	10.585	7.995
5.200% Senior Notes due 2025	334.0	(334.0)	-	-	-	-	-	5.200%	3/15/2025	11.074	7.893
7.375% Senior Notes due 2025	361.0	(361.0)	-	-	-	-	-	7.375%	6/15/2025	14.792	12.271
7.750% Senior Notes due 2026	1,000.0	(1,000.0)	-	-	-	-	-	7.750%	2/1/2026	9.960	7.406
5.400% Senior Notes due 2042	400.0	(400.0)	-	-	-	-	-	5.400%	12/1/2042	13.807	12.018
5.850% Senior Notes due 2044	400.0	(400.0)	-	-	-	-	-	5.850%	1/15/2044	11.876	13.527
5.750% Senior Notes due 2044	1,001.0	(1,001.0)	-	-	-	-	-	5.750%	10/1/2044	9.829	8.951
Total Unguaranteed Debt	**$5,132.0**	**($5,132.0)**	**-**	**-**	**-**	**-**	**-**				
Total Debt	**$7,025.0**	**($7,025.0)**	**-**	**$289.0**	**$289.0**	**$177.0**	**$466.0**				
Plus: Market Capitalization (as of 6/17/2020)	199.8										
Less: Cash	(201.0)										
Enterprise Value	**$7,023.8**										

Total Debt Market Value:	**$1,262.0**	**$1,148.4**
Plus: Market Capitalization	199.8	199.8
Less: Cash	(201.0)	(201.0)
Implied Enterprise Value:	**$1,260.8**	**$1,147.2**

Financial Data	
LTM EBITDA (6/30/2021)	**$81.0**

Credit Statistics	**Prepetition**	**At Filing**	**Executed RSA**	**12 Months**
Debt / LTM EBITDA (6/30/2021)	*86.7x*	*N/A*	*3.6x*	*5.8x*
Net Debt / LTM EBITDA (6/30/2021)	*84.2x*	*N/A*	*3.0x*	*5.1x*

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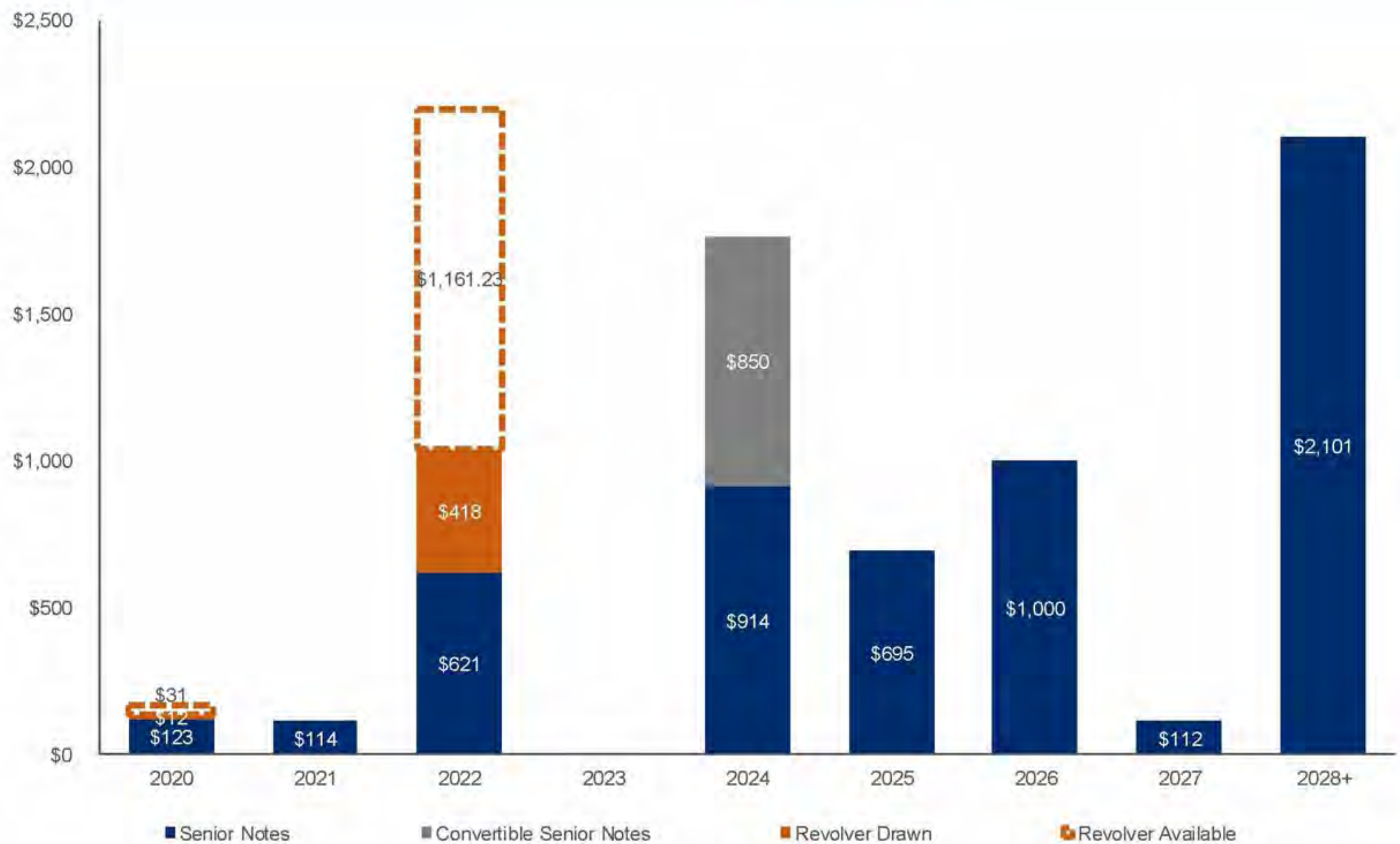
Valaris – Current Debt Maturity Schedule

Current Debt Maturity Schedule ($MM)



Indicative Terms – DIP Financing

	Proposed Terms (as of 06/19 Greenlight)	Company Latest Proposal (06/22)	Final Approval: Citi Latest Proposal (06/21)
Borrower:	**Valaris plc, as Debtors and Debtor-in-Possessions under Chapter 11 of the U.S. Bankruptcy Code**	**Same as Greenlight**	**Same as Greenlight**
Admin. Agent:	Citibank, N.A.	Same as Greenlight	Same as Greenlight
Syndicate:	Available for pro-rata participation by the same lenders as the prepetition Revolving Credit Facility	Same as Greenlight	Same as Greenlight
Facility[1]:	Up to $500 million Debtor-in-Possession Revolving Credit Facility ("DIP RCF") • $300 million initial availability • incremental $200 million available if an acceptable RSA is reached by [8] months following the Petition Date • LC sublimit $[100] million	Up to $500 million Debtor-in-Possession Revolving Credit Facility ("DIP RCF") • $400 million initial availability • If either (a) an acceptable RSA is executed or (b) an acceptable plan is filed by 8 months following Petition Date, incremental $100 million available commitment • LC sublimit $100 million	Same as Greenlight
Guarantors:	Each subsidiary that is (i) a borrower or guarantor under the prepetition RCF, (ii) issuer of a prepetition bond, (iii) owner of any rig, (iv) service contract entity and (v) material entity (include the entities which hold equity in, and/or notes receivable from ARO Drilling)	Same as Greenlight, except: • Clauses (iv) and (v) in respect of foreign entities subject to materiality thresholds to be reasonably agreed • Delivery of foreign guarantees subject to schedule to be reasonably agreed • ARO-related assets to be excluded from guarantor and collateral package and negative pledge to be granted on the same	Same as Greenlight, except: • Clauses (iv) and (v) in respect of foreign entities subject to materiality thresholds to be reasonably agreed • Delivery of foreign guarantees subject to schedule to be reasonably agreed
Security and Priority:	• Super-priority priming liens on all encumbered assets of the Borrower and Guarantors • First lien on all unencumbered assets of the Borrower and Guarantors – Includes 100% equity pledge of subsidiaries of loan parties – Includes entities which hold equity in, and/or notes receivable from ARO Drilling	Same as Greenlight, except: • Delivery of foreign collateral subject to materiality thresholds and schedule to be reasonably agreed • ARO-related assets to be excluded from guarantor and collateral package and negative pledge to be granted on the same	Same as Greenlight, except: • Delivery of foreign collateral subject to materiality thresholds and schedule to be reasonably agreed
Maturity:	12 months from Petition Date	Same as Greenlight	Same as Greenlight
Drawn Pricing[2]:	• L + 700 bps (LIBOR Floor of 1.0%) • 1.0% Unused fee	• L + 525 bps (LIBOR Floor of 1.0%) • 0.5% Unused fee	• L + 675 bps (LIBOR Floor of 1.0%) • 1.0% Unused fee
Structuring Fee to Citi:	$5 million	N/A	Same as Greenlight
Upfront Fee to lenders[3]:	200 bps	250 bps	250 bps
Reporting:	• Weekly report of actual cash receipts and disbursements in consistent DIP Budget form • Weekly variance report to DIP Budget (rolling updates to DIP Budget) • Weekly walk-through calls with management	Same as Greenlight, except: • Rolling 13-week forecast to be provided every 4 weeks • Calls with Company management and / or advisors not more frequently than one call per month	Same as Greenlight, except calls with Company management and / or advisors not more frequently than one call per month
Financial Covenants:	• Tested weekly: – Percentage positive variance for aggregate cash disbursements and negative variance for aggregate cash receipts of no more than 10% for the prior 4 week period – Minimum liquidity of $50 million at all times	• Cash budget variance test every 4 weeks for the preceding 4-week period, with disbursements (excluding professional fees) tested on an aggregate basis. Disbursements test to be subject to a [15]% variance and to be subject to rollover provision • Minimum Liquidity of $50 million tested weekly	• Cash budget variance test every 2 weeks for the preceding 4-week period, with receipts and disbursements (excluding professional fees) tested on an aggregate basis. The receipts and disbursements tests to be subject to a 20% and 15% variance, respectively • Minimum Liquidity of $50 million at all times
Milestones:	None	None	None
Affirmative / Negative Covenants:	Usual and customary for DIP facilities	• Usual and customary for DIP facilities • $200 million Anti-cash Hoarding Provision	• Usual and customary for DIP facilities • $100 million Anti-cash Hoarding Provision
Conditions Precedent:	Usual and customary for DIP facilities, including, but not limited to: • Receipt of latest 13-week cash flow forecast • Satisfactory review of the Interim Order • Satisfactory Final Order	Same as Greenlight	Same as Greenlight

(1) Bank group seeking approval on [8 – 9] month range for RSA to be executed
(2) Bank group seeking approval on L + [600 – 700] bps drawn pricing range, [50 – 100] bps unused commitment fee range
(3) Bank group seeking approval on [200 – 250] Upfront Fee range

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Syndication Strategy

Institution	Current RCF Commitment	Current Fronting Commitment	SteerCo + BNP/BARC/GS/MS DIP Commitment	Pro-Rata DIP	DIP LC Issuing Commitment
Citi	$235,000,000	$50,000,000	$81,234,403	$72,433,456	$25,000,000
DNB	241,250,000	50,000,000	83,394,893	74,359,878	25,000,000
HSBC	220,000,000	50,000,000	76,049,228	67,810,044	25,000,000
DB	216,250,000	50,000,000	74,752,935	66,654,191	25,000,000
BAML	178,000,000	-	61,530,739	54,864,490	-
BNP	153,000,000	-	47,158,803	47,158,803	-
Barclays	90,428,571	-	27,872,570	27,872,570	-
Morgan Stanley	80,750,000	-	24,889,368	24,889,368	-
Goldman	75,000,000	-	23,117,060	23,117,060	-
SEB	50,000,000	-	-	15,411,374	-
Bank of China	42,500,000	-	-	13,099,668	-
NIBC	40,000,000	-	-	12,329,099	-
Total	$1,622,178,571	$200,000,000	$500,000,000	$500,000,000	$100,000,000

Discussion

- As Administrative Agent, Citi is seeking internal approval for a $82 million commitment of the $500 million new money DIP RCF
  - Citi anticipates serving as joint lead arranger of the DIP RCF along with the SteerCo backstop parties
  - Lenders will receive a 250 bps upfront fee for their commitment to the DIP facility
- The DIP will be messaged as all banks must participate ratably. Citi anticipates broad participation as the DIP proposal enables RCF lenders to minimize unsecured exposure and control milestones during the bankruptcy case
  - Current unused RCF commitment of $1.1 billion will effectively convert into a Superpriority secured facility of no more than $500 million in aggregate
- We are requesting that the SteerCo banks ratably backstop ~$41mm share of the DIP associated with SEB, Bank of China and NIBC in the event they are not able to commit under the accelerated timeline

Key Risks and Mitigants – DIP Facilities

▼ Extended Bankruptcy Proceedings

- As the Company seeks to file for bankruptcy protection under a chapter 11 bankruptcy proceeding, it is exposed to a lengthy and arduous process of dealing with various creditors.
- An extended bankruptcy could lead to Valaris funding more of its costs with the DIP facility, in-turn increasing the amount of outstanding at exit and/or running out of liquidity.

▲ Mitigants

- The DIP facility is structural positioned as a superiority, priming lien on substantially all assets and capital stock of the Debtors with strong coverage.
- There has also been a buffer put in place in the DIP sizing analysis with 15% cushion.
- The Company is currently undergoing active discussions with its bank group, as well as its bondholders in order to achieve a restructuring in a timely and orderly fashion. Given the Company's need for an exit facility, we expect the Banks and Company would work constructively to arrive at a consensual restructuring plan.
- The DIP includes availability of just $300 million initially. The incremental $200 million will only be available upon entering into an RSA which will significantly de-risk the transaction (or otherwise limit exposure for a length process)

▼ Incremental Litigation Costs

- Any litigation costs associated with an extended chapter 11 proceeding or the failure to reach an agreement with creditors could force the Company to deplete its cash on hand and DIP availability, reducing the company's value through the extended leakage.
- Unsecured debt holders may litigate the valuation, given that they are not getting any equity and are expected to be wiped

▲ Mitigants

- The proposed DIP facility is sufficient with projected liquidity of $84mm at the end of a 12-month case.
- To the extent the company needs additional liquidity due to lower operating cash flow in general), we believe that liquidity need will be met by (i) further reduction in expenses, (ii) potential deferment of success related professional fees, or (iii) some combination thereof.

▼ Weak Financial Performance and Near-Term Outlook

- The offshore drilling industry has suffered through weak economic conditions over the past few years, driven by historically low oil prices and the supply-demand imbalance between exploration opportunities and the number of active rigs. These twin pressures have resulted in shorter, lower-priced contracts for higher-quality rigs and forced companies to lay up lower-quality ones until conditions improve.

▲ Mitigants

- Valaris is one of the largest offshore drilling company with its geographic and product diversification and is in a strong competitive position with a high quality customer base. The acquisitions of Atwood and Rowan have also solidified the company's geographic and asset diversity

Capital Return Summary

Transaction Assumptions:

50% Bank / 50% Corp Chain DIP Scenario (16.2% hold):

- Total financing package of $500 million:
  - Citi commits $81.2 million, or 16.2%, to a $500 million 364-day Senior Super Priority DIP Facility (FRR: 5)
    - 200 bps upfront fee
    - 100 bps undrawn fee
    - L + 675 bps drawn margin
    - $25 million fronting line
    - $5 million structuring fee
    - 60% utilization in first quarter and 100% utilization for rest of duration
    - 50% booked in CBNA and 50% booked in CNAI
  - $82 million reduction in existing exposure from $235 million with $153 million remaining (FRR: 10)

	Total ($MM)	Cmt / U/W ($MM)	Allocation ($MM)	Hold ($MM)	Spread (%)	Fees ($MM)
DIP Upfront Fee	500.0	81.2	81.2	81.2	2.00%	1.6
Structuring Fee						5.0
Fees to Citi						$6.6
						RoRC
Lifetime Transaction Returns						206.6%
2-yr PF Relationship Returns						194.3%
Lifetime PF Relationship Returns						194.3%
2-yr PF Revenue Gap ($MM)						N/A

100% Corp Chain DIP Scenario (16.2% hold):

- Total financing package of $500 million:
  - Citi commits $81.2 million, or 16.2%, to a $500 million 364-day Senior Super Priority DIP Facility (FRR: 5)
    - 200 bps upfront fee
    - 100 bps undrawn fee
    - L + 675 bps drawn margin
    - $25 million fronting line
    - $5 million structuring fee
    - 60% utilization in first quarter and 100% utilization for rest of duration
    - Booked in CNAI
  - $82 million reduction in existing exposure from $235 million with $153 million remaining (FRR: 10)

	Total ($MM)	Cmt / U/W ($MM)	Allocation ($MM)	Hold ($MM)	Spread (%)	Fees ($MM)
DIP Upfront Fee	500.0	81.2	81.2	81.2	2.00%	1.6
Structuring Fee						5.0
Fees to Citi						$6.6
						RoRC
Lifetime Transaction Returns						180.5%
2-yr PF Relationship Returns						171.3%
Lifetime PF Relationship Returns						171.3%
2-yr PF Revenue Gap ($MM)						N/A

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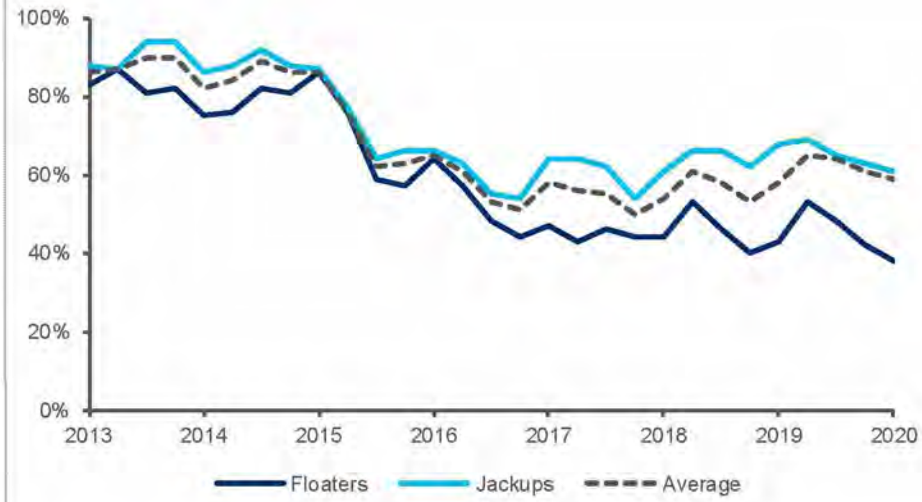
3. Company Overview

Valaris Overview

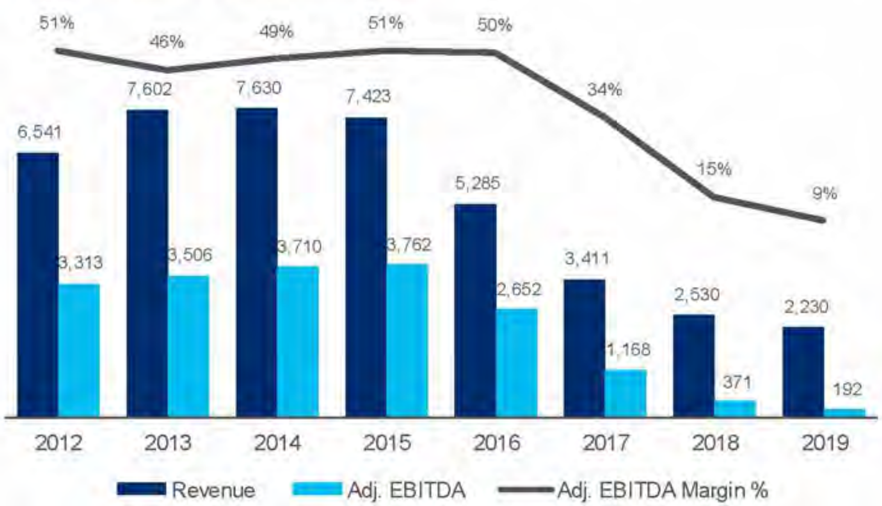
Company Overview

- Valaris (formerly known as Ensco and EnscoRowan) is the largest offshore drilling companies globally, with diversified operations across major offshore basins including U.S. Gulf of Mexico, Brazil, North Sea, Africa, Middle East, Mediterranean and APAC/Far East
- The Company's primary business is to contract its drilling rigs, related equipment and work crews predominantly on a day-rate basis to drill oil and gas wells
- Inclusive of rigs under construction, the fleet consists of 13 drillships, 6 dynamically positioned semisubmersible rigs, and 37 jackups
- The company is a product of several recent mergers, including recently:
  - *October 2017:* Valaris acquires Atwood Oceanics for ~$865MM (4.5x LTM EBITDA) paid in stock; Atwood shareholders held 31% ownership in the PF entity
  - *April 2019:* Valaris acquires Rowan for ~$1.6Bn (25.4x LTM EBITDA) paid in stock; Rowan shareholders hold 43% ownership in the PF entity
- These 2 transactions moved Valaris from third-largest to largest fleet globally

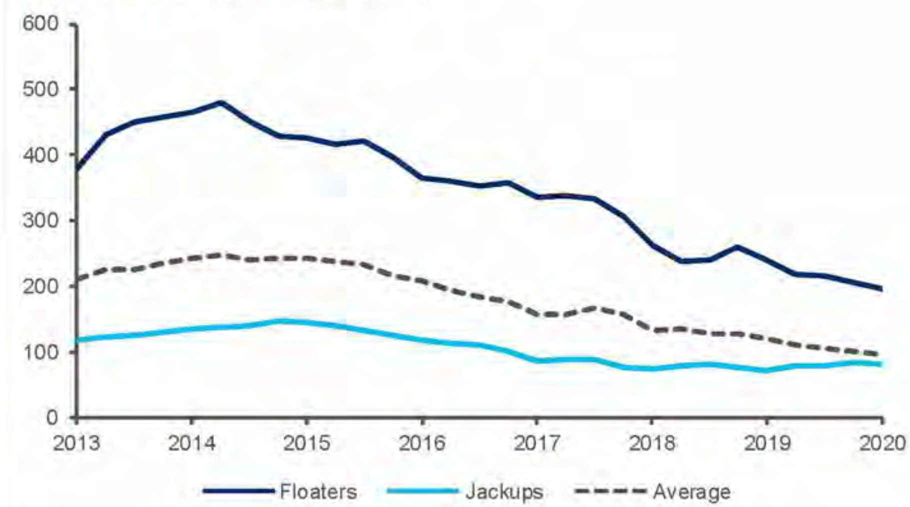
Fleet Utilization



PF Historical Performance (1)



Average Day Rates ($ '000s)



(1) Includes Rowan and Atwood performance for 2012-2018.

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Fleet Overview

Diverse, High-Specification Fleet of 56 Highly Competitive Rigs Capable of Meeting a Broad Spectrum of Customers' Well Program Requirements

Drillships

13 Total

- Average age of 4.9 years
- 11 assets equipped with 2.5 Mn lbs. hookload derrick and two blowout preventers

Semisubmersibles

6 Total

- All modern assets with sixth generation drilling equipment
- Average age of 8.5 years
  - 3 rigs capable of working in both moored and dynamically-positioned mode

Jackups

37 Total

- Average age of 11.3 years
- 7 heavy duty ultra-harsh & 6 heavy duty harsh environment rigs
- 13 heavy duty & 11 standard duty modern benign environment rigs

Source: IHS Markit RigPoint
Rig counts include rigs leased to ARO Drilling, and exclude rigs held for sale, intended for sale, managed drilling operations and rigs owned by ARO Drilling; see subsequent slide for reconciliation

ARO Drilling Financing Considerations

VALARIS

saudi aramco أرامكو السعودية

50% Ownership

50% Ownership

~$450 Mn Shareholder Notes Receivable

~$450 Mn Shareholder Notes Receivable

1 ARO DRILLING أرامكو روان للحفر

5 Valaris operates six jackups offshore Saudi Arabia outside of ARO Drilling joint venture

3 Leased Jackups (9)

- Three-year contracts; day rates set by an agreed pricing mechanism
- Valaris receives bareboat charter fee based on % of rig-level EBITDA
- ~$143 Mn of bareboat charter revenue backlog to Valaris as of March 31, 2020 (no associated operating expense to Valaris)

2 Owned Jackups (7)

- Rigs contracted for three-year terms
- Renewed and re-priced every three years for at least an aggregate of 15 years

4 Newbuild Jackups (20)

- Initial 8-year contracts; day rate set by an EBITDA payback mechanism[1]
- Further 8-year contracts; day rate set by a market pricing mechanism and re-priced every three years
- Preference given for future contracts thereafter

- Rigs contribute to ARO Drilling results, of which Valaris recognizes 50% of net income

(1) Down payment on each new build rig is no more than 25% before delivery. Illustrative in-service newbuild rig capital cost of $200 million would provide an average day rate of ~$165K/day for the initial eight-year contract, based on cash operating costs of $45K/day + shorebase overhead allocation of $7.5 million per year

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Management Overview

Dr. Thomas Burke
President and Chief Executive Officer

Dr. Thomas Burke became President and Chief Executive Officer, and a member of the Board of Directors, in April 2019 in connection with the EnscoRowan combination. Previously, he served as Rowan's President and Chief Executive Officer as well as a director since April 2014. He served as Rowan's Chief Operating Officer beginning in July 2011 and was appointed President in March 2013. Dr. Burke first joined Rowan in December 2009, serving as Chief Executive Officer and President of LeTourneau Technologies until the sale of LeTourneau in June 2011. From 2006 to 2009, Dr. Burke was a Division President at Complete Production Services, an oilfield services company, and from 2004 to 2006, served as its Vice President for Corporate Development. He serves on the executive committee of the International Association of Drilling Contractors. Dr. Burke received his PhD in Engineering from Trinity College, the University of Oxford, a Bachelor of Science in Engineering with Honors from Heriot-Watt University in Scotland, and an MBA from Harvard Business School, where he was awarded a Baker Scholarship.

Jonathan Baksht
Executive Vice President and Chief Financial Officer

Jonathan Baksht became Executive Vice President - Chief Financial Officer in connection with the EnscoRowan combination. Previously, he served as Ensco's Senior Vice President - Chief Financial Officer since November 2015, and as Vice President - Finance and Vice President - Treasurer before his appointment as Chief Financial Officer. Prior to joining Ensco, Mr. Baksht served as a Senior Vice President at Goldman, Sachs & Co. within the Investment Banking Division where he served as a financial advisor to energy clients, oilfield services lead and a member of the Merger & Acquisitions Group. Prior to joining Goldman Sachs in 2006, he consulted on strategic initiatives for energy clients at Andersen Consulting. Mr. Baksht holds a Master of Business Administration from the Kellogg School of Management at Northwestern University and a Bachelor of Science with High Honors in Electrical Engineering from the University of Texas at Austin.

Gilles Luca
Senior Vice President and Chief Operating Officer

Gilles Luca became Senior Vice President and Chief Operating Officer in December 2019. Previously, he served as Senior Vice President, Operations Support. He joined Ensco in 1997 and prior to his current position, served as Senior Vice President - Western Hemisphere since December 2014. Mr. Luca also served Ensco as Vice President - Business Development and Strategic Planning, Vice President - Brazil Business Unit and General Manager - Europe and Africa. Before joining Ensco as an Operations Engineer in The Netherlands, Mr. Luca was employed by Foramer Drilling and Schlumberger with assignments in France and Venezuela. He holds a Master Degree in Petroleum Engineering from the French Petroleum Institute and a Bachelor in Civil Engineering.

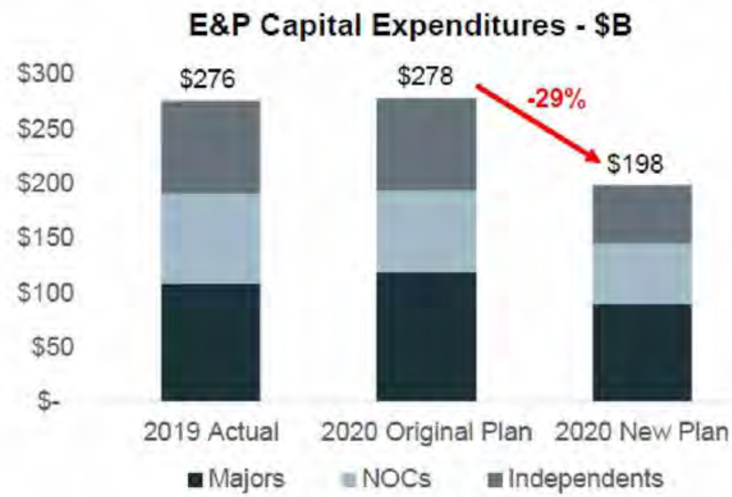
Industry Overview – The Macro View

The MODU[1] industry continued to weather the trough of the cycle through 2017-19. With the recent pullback of oil and subsequent contraction in E&P spending, the recovery timeline of the entire oil services industry is once again in the spotlight. Longer term thesis of reserve replacement and incremental oil demand to support emerging market consumption behemoths provides "right to exist", near-term, the prescription remains the same: i) refocus on cost-savings ii) utilization push iii) liquidity build iv) increased scrapping and v) capital restructuring

Industry Summary

- Offshore drilling companies through 2015-17 have witnessed a significant reduction in their contracted orderbook positions, dayrate realization and overall fleet utilization driven primarily by three factors i) decline in energy commodity prices led by new supply from USA and normalization of production levels from marginal producers, Libya, Nigeria, Iran et al. ii) E&P spending pullback from the majors, total annual capex has declined by more than 60% vs. 2014 and iii) over capacity given aggressive capacity additions during 2010-14
- 2018-19 was a period of stable to increasing dayrates and utilization post three continuous years of declines, E&P capex for the last two years has been on the rise but hasn't seen a step-function increase to retrace 65% of the absolute amount of investment lost since 2014. Offshore capital spending was ~$320BN in 2014 and was $150-160BN a year through 2019. Fears of underspending in the last three years, stable demand outlook from Asia and geopolitical concerns have allowed oil prices to remain in the $50-60/bbl range for the majority of the last few years. However, given Covid-19 pandemic, flagging consumption growth and a fall out of discussion on supply curtailment between Russia and Saudi Arabia led to oil prices testing new lows through March 2020, putting paid to notions that offshore drillers were finding a balance to enable a strong recovery into 2021-25e
- The recent market drop is likely to reduce oil demand in 2020 by 6.7Mbd to 13.0Mbd below 2019 levels, with an additional impact beyond 2021. As a result , deepwater capital spend expected to decline 30-45% in 2020 before returning to 2019 levels by 2022.
  - This is based on IEA, EIA, and Rystad Energy

Total E&P 2020E Capex



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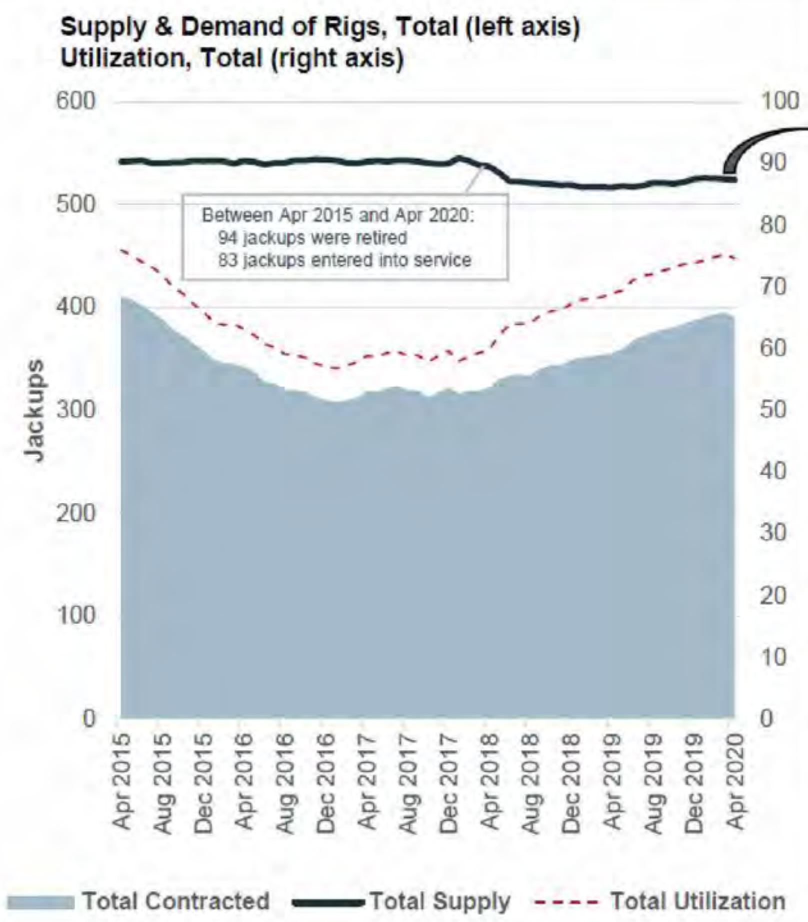
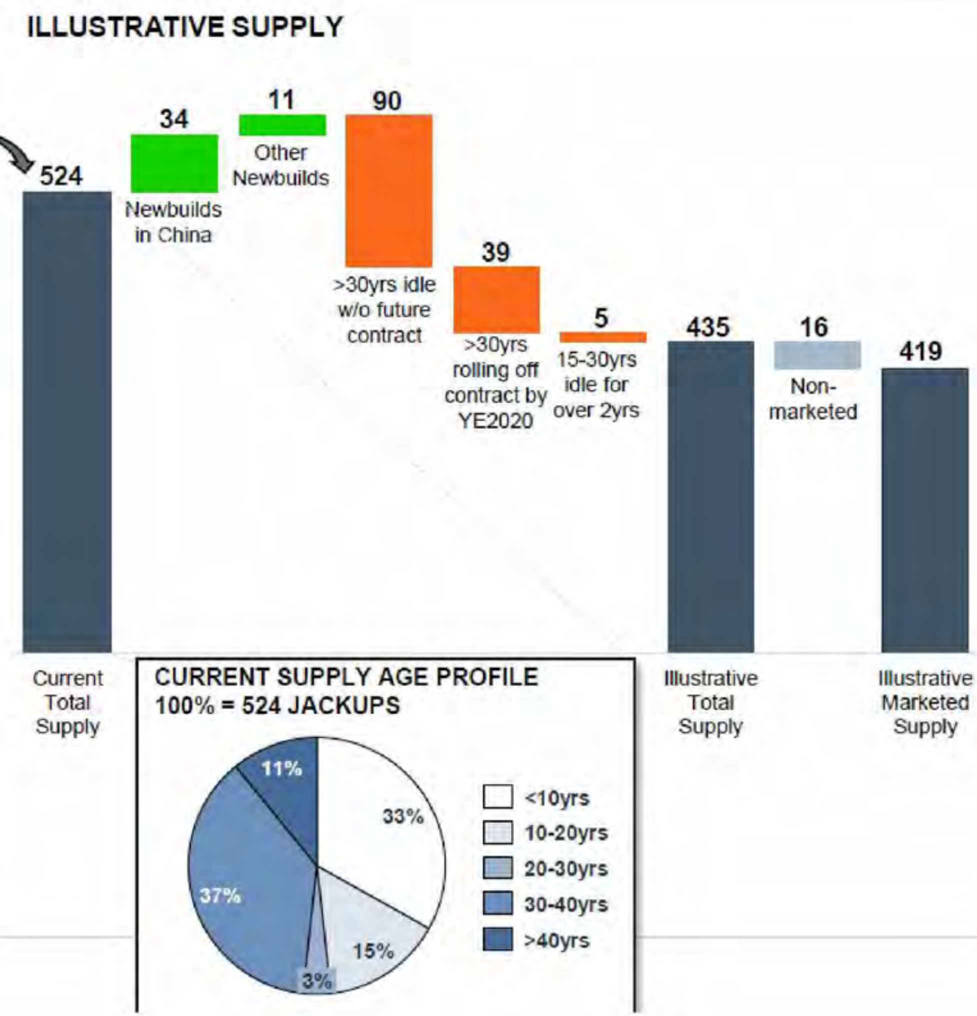
Jack-Up Supply Dynamics

Utilization had been increasing due to supply attrition and higher levels of customer demand; utilization is now expected to decline, tempered somewhat by retirements of older jackups

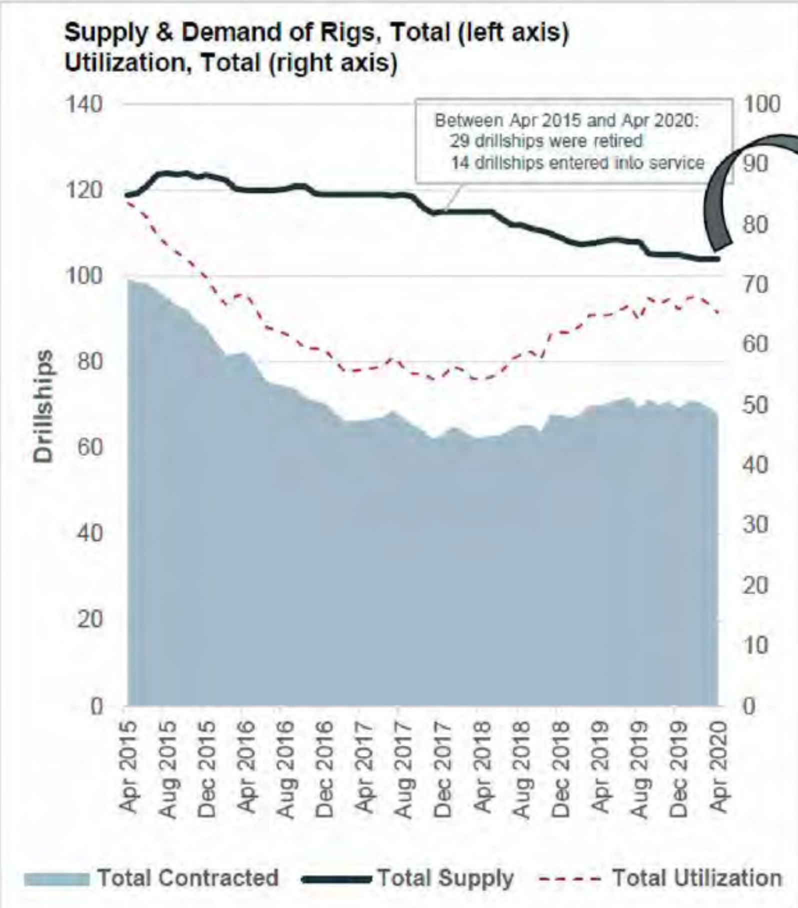


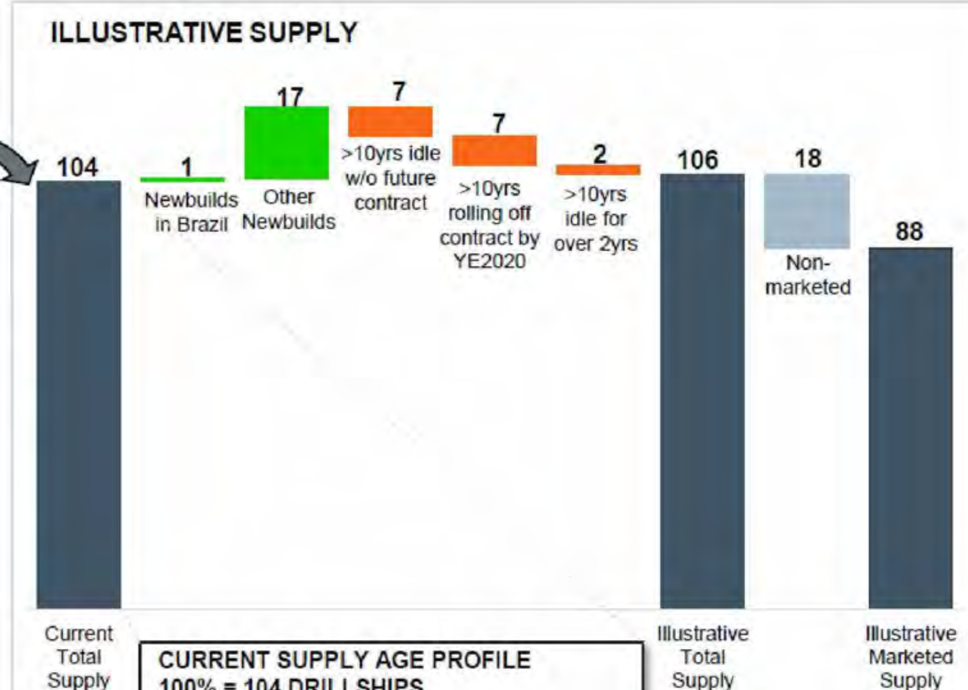


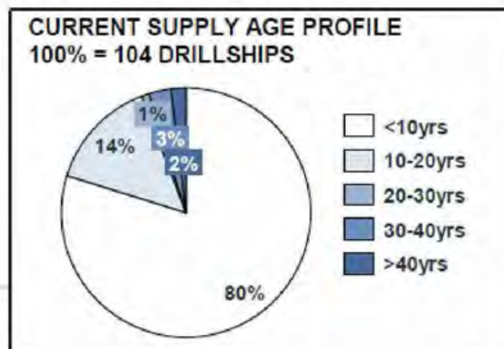
IHS Market Data

Drillship Supply Dynamics

Utilization of drillships <u>had</u> been increasing due to modestly higher demand and some asset retirements; utilization is now expected to decline, with less competitive modern assets likely to be scrapped in response







IHS Market Data

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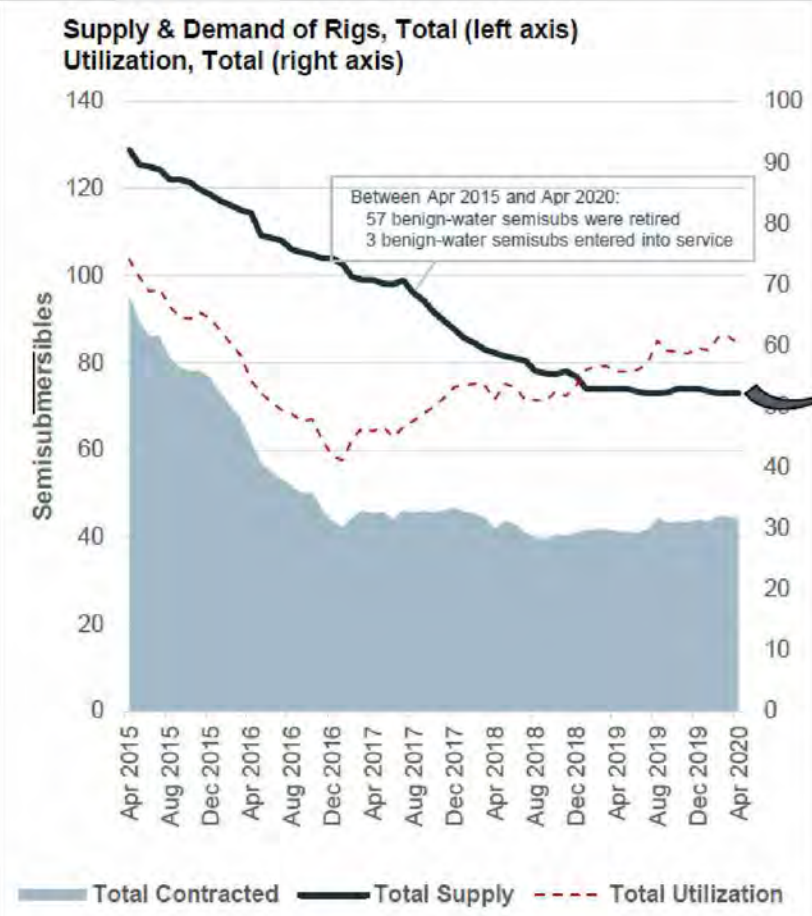
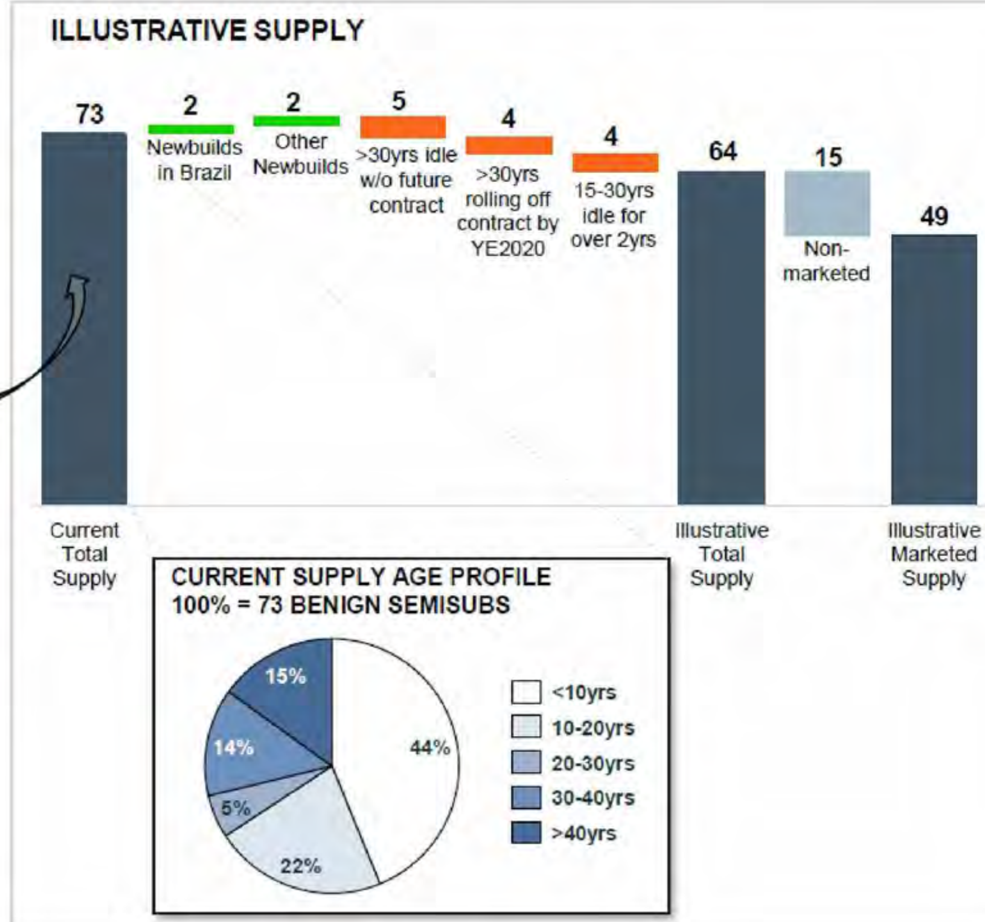
Semisubmersible Supply Dynamics

Utilization of benign-water semisubmersibles had increased significantly based on substantial scrapping of older assets; utilization is now expected to fall, with less competitive assets likely to be scrapped





IHS Market Data

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Historical Financial Spreads

(Dollars in Millions)	12-Months Ended December 31, 2017	2018	2019[1]	LTM 03/31/20	3-Months Ended[1] 03/31/19	03/31/20
Income / Cash Flow Statement						
Floaters	1,143.5	1,013.5	1,048.0	961.3	266.3	179.6
Jackups	640.3	630.9	972.6	890.4	295.0	212.8
Other	59.2	61.0	209.1	252.2	21.1	64.2
Early Termination Payment	-	-	-	-	-	-
Revenues	**$1,843.0**	**$1,705.4**	**$2,229.7**	**$2,103.9**	**$582.4**	**$456.6**
% Growth	*-28.3%*	*-7.5%*	*30.7%*			*(21.6%)*
COGS	(1,189.5)	(1,319.4)	(1,936.8)	(1,913.4)	(494.4)	(471.0)
Gross Profit	**$653.5**	**$386.0**	**$292.9**	**$190.5**	**$88.0**	**($14.4)**
Gross Profit Margin	*35.5%*	*22.6%*	*13.1%*	*9.1%*	*15.1%*	*(3.2%)*
SG&A	(116.6)	(61.1)	(100.9)	(90.9)	(37.6)	(27.6)
% Growth	*90.5%*	*(47.6%)*	*65.1%*			*(26.6%)*
% Revenue	*6.3%*	*3.6%*	*4.5%*	*4.3%*	*6.5%*	*6.0%*
Adjusted EBITDA	**$536.9**	**$324.9**	**$192.0**	**$99.6**	**$50.4**	**($42.0)**
EBITDA Margin	*29.1%*	*19.1%*	*8.6%*	*4.7%*	*8.7%*	*(9.2%)*
Cash Interest	(199.8)	(232.6)	(448.5)	(442.2)	(119.5)	(113.2)
Cash Taxes	(62.8)	(58.4)	(115.6)	2.3	(45.4)	72.5
Change in Working Capital	65.4	(18.0)	(39.1)	(198.3)	29.3	(129.9)
Other[2]	(80.3)	(71.6)	116.2	32.9	91.5	8.2
Cash Flow from Operations	**$259.4**	**($55.7)**	**($295.0)**	**($505.7)**	**$6.3**	**($204.4)**
Maintenance Capital Expenditures[3]	(106.9)	(85.6)	(254.6)	(205.5)	(83.2)	(34.1)
Normalized Free Cash Flow	**$152.5**	**($141.3)**	**($549.6)**	**($711.2)**	**($76.9)**	**($238.5)**
Growth/Other Capital Expenditures	(429.8)	(341.1)	(42.8)	(28.8)	(16.2)	(2.2)
Cash Divestitures/(Acquisitions), net	(868.8)	11.0	949.6	938.9	10.4	(0.3)
Equity Issuance/(Repurchase), net	-	-	-	-	-	-
Dividends	(13.8)	(17.9)	(4.5)	-	(4.5)	-
Free Cash Flow	**($1,159.9)**	**($489.3)**	**$352.7**	**$198.9**	**($87.2)**	**($241.0)**
Balance Sheet						
Cash and Equivalents	885.4	604.1	97.2	184.9		
of which Marketable Securities	440.0	329.0	-	-		
Undrawn Liquidity	2,000.0	2,000.0	1,600.0	1,264.7		
Less Debt Due w/in One Year	-	-	(124.8)	(224.5)		
Total Liquidity	**$2,885.4**	**$2,604.1**	**$1,572.4**	**$1,225.1**		
Revolver Outstanding	-	-	-	332.1		
Term Loans	-	-	-	-		
Senior Bonds & Notes	4,750.7	5,010.4	5,923.5	5,816.5		
Total Debt	**$4,750.7**	**$5,010.4**	**$5,923.5**	**$6,148.6**		
Secured Debt	-	-	-	-		
Unsecured Debt	4,750.7	5,010.4	5,923.5	6,148.6		
Total Debt	**$4,750.7**	**$5,010.4**	**$5,923.5**	**$6,148.6**		
Total Assets	14,625.9	14,023.7	16,931.2	14,025.1		
Total Equity	8,730.0	8,088.8	9,309.6	6,295.6		
Total Capitalization	**$13,480.7**	**$13,099.2**	**$15,233.1**	**$12,444.2**		
Credit Ratios						
Total Debt / LTM EBITDA	8.8x	15.4x	30.9x	61.7x		
EBITDA / Interest Expense	2.7x	1.4x	0.4x	0.2x		
Total Debt Repayment Capacity[4]	0.5x	0.3x	0.1x	0.1x		
Fixed Charge Coverage Ratio[5]	0.7x	0.4x	0.2x	0.1x		
Debt to Capitalization	35.2%	38.2%	38.9%	49.4%		

1. Pro Forma for Rowan 1Q19 performance, which is not part of Valaris consolidated financials as the merger closed on April 11, 2019
2. Other include cash portion of capitalized interest for quarterly and other expense related to currency exchange gain / losses
3. Maintanence Capex includes rig enhancements, minor updates and improvements, while growth Capex relates to new rig constructions
4. Total Debt Repayment Capacity and Senior Secured Debt Repayment Capacity Ratios calculated as Adj. EBITDA / (Cash Interest + Cash Taxes + Dividends + CapEx + 7% of Total Debt or 14% of Senior Secured Debt)
5. Fixed Charge Coverage Ratio calculated as Adjusted EBITDA/(Cash Taxes + CapEx + Dividends + Cash Interest+ Current Maturities of Long Term Debt)

Please note FY19 and 1Q19 are on a PF basis for legacy Ensco and Rowan, with certain figures only available as of 2Q19 as the companies merged on 4/11/19

- **Revenues** fell 21.6%, or $125.8MM, compared to 1Q19, primarily due a 20% decline in day rates from ~$199k/day to ~$95k, while rig utilization was roughly flat at 59%
  - 1Q20 Floaters Revenues decreased 32.6%, or $86.7MM compared to 1Q19, primarily driven by a 18.7% drop in average day rates ($196kpd vs. $240kpd) and a drop in utilization to 38% from 43% a year prior
  - 1Q20 Jackups Revenues fell 27.9%, or $82.2MM compared to 1Q19, primarily driven by a drop in utilization to 61% from 68% a year prior, offset by a 12.9% increase in average day rates ($81kpd vs $72kpd)
  - Management expects that the remainder of 2020 will be a challenging year for contractors as customers wait to gain additional clarity on commodity pricing and seek to reduce costs in the near-term by attempting to renegotiate existing contract terms. The current market and macro-economic conditions will create a challenging contracting environment through at least 2021
- **Adj. EBITDA** was negative in 1Q20 at $(42.0)MM, compared to $50.4MM in 1Q19. This was driven by a non-drilling incident with DS-8 that caused the rig to go off-contract and not earn a dayrate for almost a month. Combined with extra cost associated with the incident, this had a $15MM negative impact. Additionally, there was $14MM of higher repair and maintenance costs related to startup costs for jackups in the North Sea. Generally, it appears that rigs are operating at day rates just at or slightly below break-even levels
- **Normalized Free Cash Flow** declined to $(238.5)MM in 1Q20 compared to $(76.9)MM in 1Q19 due to aforementioned negative EBITDA and a $129.9MM working capital outflow related to the Rowan merger
- **Liquidity** as of 12/31/20 was $1.2Bn, comprising of $184.9MM of cash and ~$1.3Bn available under the $1.6Bn RCF, net $225MM of debt due within the next 12 months
  - Per the lender May 2020 lender presentation, $380MM is now drawn on the RCF (as of 04/24/20)
  - On 12/30/2019, Ensco received a $200MM payment from Samsung Heavy Industries (SHI) for losses incurred in connection with the DS-5 drilling services agreement with Petrobras
- **Leverage** continued to rise, increasing to 61.7x as of 1Q20 vs. 30.9x at FYE19 and 15.4x at FYE17 driven by declining EBITDA and debt incurred from the Atwood and Rowan mergers. LTM TDRC and FCCR are both below 1.0x, at 0.1x and 0.1x, respectively

4. DIP Model Cases

DIP Model Assumptions

Assumptions

- Chapter 11 Filing Date: June 30, 2020
- Bankruptcy emergence date: June 30, 2021
- $500MM new money revolving DIP facility at L + 700 (unused commitment fee of 100 bps)
  - $100MM of cash collateralized LC required post-petition
  - Proceeds will be used for incremental liquidity purposes during the Borrower's bankruptcy proceeding, subject to budget agreed to by DIP lenders
  - The facility will be secured by a super-priority, priming lien on substantially all assets of the Debtors
- Drilling Revenue is based on invoices from weekly A/R ledger and forecast revenue from company's May 2020 outlook
  - Assumes 5% risk of post-petition drilling revenue
  - Also includes early contract termination, loss of hire insurance reimbursable capex, and ARO shareholder note interest
- Expenses
  - Includes all personnel costs by entity reflecting payroll timing
  - Contract drilling expense is based on vendor/supplier invoices from weekly A/P ledger
  - Taxes includes U.S. and foreign corporate taxes
  - Includes other expense such as insurance, Rowan pension funding, Rowan merger severance, and other non-recurring items
- Incentive/retention payments paid out according to terms
- $195MM of Professional fees are included for the Company's advisors, first lien lender group advisors, and bondholder advisors
  - This includes $28MM of transaction fess at case conclusion

DIP Model Base Case

	2020						2021								
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	6 Mo.[1]	8 Mo.[1]
Receipts															
Total Receipts	$143	$106	$130	$124	$108	$117	$106	$75	$76	$84	$74	$77	$1,221	$728	$909
Operating Disbursements															
Personnel Costs	(69)	(56)	(54)	(68)	(52)	(52)	(75)	(51)	(52)	(67)	(52)	(51)	(697)	(350)	(476)
Contract Drilling Expense & Other	(133)	(67)	(71)	(76)	(49)	(40)	(62)	(49)	(35)	(56)	(46)	(33)	(716)	(436)	(547)
Total Operating Expenses	**(202)**	**(123)**	**(124)**	**(144)**	**(100)**	**(92)**	**(137)**	**(100)**	**(86)**	**(123)**	**(98)**	**(83)**	**(1,413)**	**(786)**	**(1,023)**
Total Operating Cash Flow	**(59)**	**(17)**	**6**	**(20)**	**7**	**25**	**(31)**	**(25)**	**(11)**	**(38)**	**(24)**	**(6)**	**(193)**	**(58)**	**(114)**
Non-Operating Activities															
Other Non-Operating Activities	(27)	(24)	(7)	(7)	(5)	(5)	(84)	(9)	(9)	(9)	(9)	(9)	(205)	(75)	(168)
Restructuring Professional Fees	-	(4)	(13)	(13)	(10)	(14)	(9)	(9)	(15)	(16)	(11)	(79)	(195)	(129)	(148)
Total Non-Operating Activity	**(27)**	**(29)**	**(20)**	**(20)**	**(15)**	**(19)**	**(94)**	**(19)**	**(25)**	**(25)**	**(20)**	**(89)**	**(400)**	**(204)**	**(316)**
Pre-DIP Cash Flow	**(86)**	**(45)**	**(15)**	**(40)**	**(8)**	**6**	**(124)**	**(43)**	**(35)**	**(63)**	**(44)**	**(95)**	**(593)**	**(262)**	**(430)**
DIP Funding / (Repayment)	-	-	1	40	8	(5)	125	45	41	66	46	98	466	119	289
(-) Interest	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(3)	(13)	(2)	(4)
(-) Fees	(6)	-	-	-	-	-	-	-	(4)	-	-	-	(10)	(6)	(6)
Net DIP Funding	**(6)**	**(0)**	**1**	**40**	**8**	**(6)**	**124**	**43**	**35**	**63**	**44**	**95**	**442**	**111**	**279**
Net Cash Flow	**(92)**	**(46)**	**(14)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(0)**	**(151)**	**(151)**	**(151)**
Cash Schedule															
Beginning Cash Balance	201	109	64	50	50	50	50	50	50	50	50	50	201	201	201
Net Cash Flow	(92)	(46)	(14)	-	-	-	-	-	-	-	-	(0)	(151)	(151)	(151)
Ending Cash Balance	**109**	**64**	**50**	**50**	**50**	**50**	**50**	**50**	**50**	**50**	**50**	**50**	**50**	**50**	**50**
(+) Undrawn RCF	300	300	299	259	250	255	130	85	244	179	132	34	34	181	11
Total Liquidity	**$409**	**$364**	**$349**	**$309**	**$300**	**$305**	**$180**	**$135**	**$294**	**$229**	**$182**	**$84**	**$84**	**$231**	**$61**

	12 Mo.	6 Mo.[1]	8 Mo.[1]
Funded DIP at Exit	$466	$119	$289
(-) Ending Cash	(50)	(50)	(50)
(-) Cash Collateral Release of LCs[2]	(100)	(25)	(100)
Requ. DIP Repay. at Emergence	**$316**	**$44**	**$139**

- The company maintains adequate liquidity throughout the projected period with a liquidity trough of $84MM (~17%) at the end of 12 months

ADVISORS'-EYES ONLY

CITI_DIP_0000485

Valuation Summary

Value Distribution Waterfall ($MM)	Advisor Base Case	Base Case	Downside Case	ROL Case	Expected Value Case
Probability Weighting		33%	33%	25%	90%
DCF Enterprise Value	$1,778.0	$1,621.0	$899.8	$395.2	$1,020.1
ARO Drilling JV Stake	557.7	557.7	557.7	557.7	557.7
Restructuring Costs	(195.0)	(195.0)	(195.0)	(195.0)	(195.0)
Total Distributable Value	$2,140.7	$1,983.6	$1,262.5	$757.9	$1,382.7
Debtor-in-Possession Financing	$500.0	$500.0	$500.0	$500.0	$500.0
Total Secured Debt	$500.0	$500.0	$500.0	$500.0	$500.0
Secured Debt $ Recovery	500.0	500.0	500.0	500.0	500.0
Structurally Senior Revolver % Recovery	100.0%	100.0%	100.0%	100.0%	100.0%
Residual Value after Secured Debt	$1,640.7	$1,483.6	$762.5	$257.9	$882.7
Structurally Senior Revolving Credit Facility	$508.0	$508.0	$508.0	$508.0	$508.0
Total Structurally Senior Debt	$508.0	$508.0	$508.0	$508.0	$508.0
Structurally Senior Revolver $ Recovery	508.0	508.0	508.0	257.9	508.0
Structurally Senior Revolver % Recovery	100.0%	100.0%	100.0%	50.8%	100.0%
Residual Value after Structurally Senior RCF	$1,132.7	$975.6	$254.5	$0.0	$374.7
6.875% Senior Notes due 2020	$124.1	$124.1	$124.1	$124.1	$124.1
3.00% Exchangeable Notes due 2024	707.7	707.7	707.7	707.7	707.7
7.20% Senior Notes due 2027	111.7	111.7	111.7	111.7	111.7
7.875% Senior Notes due 2040	372.8	372.8	372.8	372.8	372.8
Total Guaranteed Debt	$1,316.3	$1,316.3	$1,316.3	$1,316.3	$1,316.3
Guaranteed Debt $ Recovery	1,132.7	975.6	254.5	0.0	374.7
Guaranteed Debt % Recovery	86.0%	74.1%	19.3%	0.0%	28.5%
Residual Value after Guaranteed Notes	$0.0	$0.0	$0.0	$0.0	$0.0
4.70% Senior Notes due 2021	$100.4	$100.4	$100.4	$100.4	$100.4
4.875% Senior Notes due 2022	601.2	601.2	601.2	601.2	601.2
4.75% Senior Notes due 2024	278.6	278.6	278.6	278.6	278.6
4.50% Senior Notes due 2024	302.0	302.0	302.0	302.0	302.0
8.00% Senior Notes due 2024	295.5	295.5	295.5	295.5	295.5
5.20% Senior Notes due 2025	331.8	331.8	331.8	331.8	331.8
7.375% Senior Notes due 2025	330.2	330.2	330.2	330.2	330.2
7.750% Senior Notes due 2026	987.7	987.7	987.7	987.7	987.7
5.40% Senior Notes due 2042	263.2	263.2	263.2	263.2	263.2
5.85% Senior Notes due 2044	269.1	269.1	269.1	269.1	269.1
5.75% Senior Notes due 2044	974.2	974.2	974.2	974.2	974.2
Total Unsecured Debt	$4,733.9	$4,733.9	$4,733.9	$4,733.9	$4,733.9
Unsecured Debt $ Recovery	0.0	0.0	0.0	0.0	0.0
Unsecured Debt % Recovery	0.0%	0.0%	0.0%	0.0%	0.0%
Residual Equity Value	$0.0	$0.0	$0.0	$0.0	$0.0
Implied Share Price[1]	$0.00	$0.00	$0.00	$0.00	$0.00

1. Assumes 198MM shares outstanding. Compares to Market Price of $0.92 and 52-week range of $0.29 - $9.68.

Notes / Observations

- The proposed DIP transaction will result in our ~$1.1Bn of the currently ~$1.6Bn Structurally Senior RCF being cancelled, although primed by the $500MM DIP in the priority waterfall
- Pro Forma for the DIP and RCF cancellation, both the DIP and RCF are fully covered in both the Base Case and Expected Value Case – this will lead to a review of our prior 94.5% RCF coverage position in 3Q20
- We are using a case weighting of 33% Base Case / 33% Downside Case / 25% Risk of Loss Case, the most conservative weighting option in IRM policy, to reflect the uncertainties of the Chapter 11 outcome and widespread industry issues
- The DIP Loan-to-Value is 25% in the Base Case and 66% in the Risk of Loss Case, providing sufficient value cushion
- We have included Valaris's 50% stake in ARO in our Total Distributable Value, valued as $169MM of 2021 EBITDA at the same multiple as Valaris (6.6x)
  - The projected EBITDA is per ARO management
- The estimated restructuring costs are based on the advisor's DIP model and is in line with previous estimates based on Chapter 11 cases of similar capital structure size

5. Ratings and Classification Overview

Citi Ratings Overview

Proposed Ratings: DIP: ORR 5 / OLR 5- / FRR 5

Public Debt Ratings	Moody's	S&P	Citi Risk Ratings	DIP
Corp. Family	-	-	OLR	5-
Senior Unsecured	-	-	ORR	5
Outlook	-	-	FRR	5
			Classification	SM

Ratings Methodology:

ORR:

- **DIP Facility (5)**: We ran a pro forma DRM for the DIP Facility on LTM 1Q20 financials assuming adjustments to the capital structure were made in the latest period. The assumption was to run the DRM assuming the Company only had the DIP as debt in its capital structure due to the First Lien First Out nature of the DIP. This resulted in a BORR of **5+.** We propose a one-notch downgrade below to reflect the short to medium term risk of the Company during the bankruptcy period, arriving at a final ORR of **5**.
  - **Near-term industry challenges (-1)**: The market condition in offshore drilling has continued to be challenging, especially with the recent volatility in the oil prices. The overcapacity in the industry is likely to remain in the near future and adversely impact operating performance of the Company.

- **OLR**: We propose a one-notch downgrade from the final ORR due to the following to arrive at a **final OLR of 5-**:
  - **Prolonged downturn in the Industry (-1):** Prolonged downturn in offshore drilling driven by weak demand and overcapacity can lead to protracted recovery in day rates and contract signings, leading to depressed EBITDA for a sustained period of time.

- **FRR**:
  - **DIP Facility (5):** We propose to rate the DIP Facility in line with the proposed ORR of **5**. We believe no downgrade is warranted at this time due to its seniority in the capital structure as a first lien first out facility.

DIP Lending Classification Analysis

	Likelihood of Emerging from Bankruptcy	Liquidity and Cash Flow	Asset Coverage and Controls
Factors	• Reason for bankruptcy: capital structure/operating performance/liability • Degree of complexity in the plan of reorganization (cost cutting, asset sales, lease rejections, key contract negotiations, pensions) • Level of pre-filing agreement: free-fall bankruptcy vs. executed RSA • Length of time expected to be in bankruptcy	• Size of company (EBITDA) and ability to cover bankruptcy costs • Level of cash burn projected during bankruptcy and volatility of those projections • Supplier and customer reactions/behaviors	• Advance rates and Types of Collateral • Stability of NOLVs • Covenants and Milestones • Acceptable Loan to Value (LTV)
Likelihood	High / Medium / Low	Adequate / Tight / Insufficient	Appropriate / Aggressive / Inappropriate
Determination	**Medium**	**Adequate**	**Appropriate**
Justification	• Bankruptcy is a result of low crude oil prices and tight liquidity • Structured facility with contingent capital tied to RSA incentivizes various creditors to work together towards reaching an acceptable plan in bankruptcy • While no RSA is in our place, the DIP will likely be taken out by an exit financing consisting of a combination of new exit credit facilities provided by the Revolver lenders and new equity provided by the bondholders, who have expressed interest but not yet quantified the amount	• The Company is projected to maintain adequate liquidity during the bankruptcy case. At all times the company will have a minimum cash balance of $50 million and ample liquidity under the DIP RCF to cover cash flow burn. Throughout the 12-month case, the company is projected to have a negative cash burn of -$151 million, and $84 million of liquidity at the end of the 12-month case • The DIP is sized to allow an additional $200 million upon acceptable RSA • The bankruptcy case will be guided by covenants on cash flow variance and liquidity	• The DIP facilities benefit from a superpriority, priming lien on substantially all assets of the Borrower and its Guarantors • DIP facility includes material protections to control process, such as limit on exposure dependent on successful RSA • The bankruptcy case will be guided by covenants on cash flow variance and liquidity • From an LTV perspective, the DIP facility is well covered at 20-40% under the company plan(1)

Given the above factors, we believe a **Special Mention** classification is warranted for the proposed DIP facility

(1) LTV range contemplated from WACC range of 9-11% and terminal multiple range of 3.0x-5.0x in company base case.

Appendix

Select E&P DIP Financings

	Southland Royalty	Arsenal Resources	EP Energy
Filing Date	January 27th, 2020	November 8th, 2019	October 3rd, 2019
Admin Agent	Citi	Citi	JP Morgan
Facility	$70 million Revolving DIP facility • $35 million roll-up of the pre-petition RBL • $35 million of new money	• $90 million DIP Revolver $45 million new money $45 million roll-up of pre-petition RBL on a dollar for dollar basis for lenders committing to both the DIP and Exit RBL	$314.7 million roll-up DIP Revolver $50 million L/C sub-limit
Ratings (Moody's / S&P)	NA	N/A	N/A
Tenor	6 months	6 months	12 months
Drawn Spread	• L + 550 bps • 100 bps commitment fee	• L + 550 bps • 100 bps commitment fee	• L + 350 bps • 50 bps commitment fee
LIBOR Floor	N/A	N/A	N/A
OID/Upfront Fee	125 bps	200 bps	N/A
Milestones	• Within 5 days following the Petition Date, entry of the Interim DIP Order • Within 35 days following the Petition Date, entry by the Bankruptcy Court of a final order authorizing the DIP facility • No later than February 3, 2020, circulation of a "teaser" for the marketing and sale of the Debtor's assets and properties to potential buyers • Within 100 days following the Petition Date, entry of either (i) Approved Sale; or (ii) Approved Plan of Reorganization to the DIP Agent and Required DIP lenders, and a Disclosure Statement acceptable to the DIP Agent • Within 170 days following the Petition Date, consummation of the Approved Sale (unless an Approved Plan of Reorganization approved by the DIP Agent and Required DIP Lenders)	• Approval of the Interim Order within 5 days of the Petition Date; • Approval of the Final Order within 30 days of the Petition Date; • Within 75 days of the Petition Date, either (i) entry of the Confirmation Order or (ii) approval of the Approved Bidding Procedures; and • Within 170 days of the Petition Date, either (i) the Plan or (ii) an Approved Sale is consummated	N/A
Financial Covenants	Tested twice a month for the preceding four-week period • Permitted variances for Disbursements (excluding professional fees, post-petition taxes, debt service and all royalty and working interest obligations during such Testing Period) no more than 15%	Tested twice a month for the preceding four-week period • Permitted variance on Total Operating Disbursements (excluding professional fees, debt service and royalty, working interest and other similar obligations) of no more than 15%	Tested twice a month for the preceding four-week period • Minimum liquidity of $15 million • Asset Coverage Ratio of 1.25 :1.00x • Written notice of any variance in operating disbursements over $25 million

Select E&P DIP Financings (cont'd)

	Sanchez Energy	Halcon Resources	Legacy Reserves
Filing Date	August 11th, 2019	August 7th, 2019	June 18, 2019
Admin Agent	Wilmington Trust	Wilmington Trust	Wells Fargo
Facility	• $350 million delayed-draw DIP term loan facility, comprised of a $175 million roll-up of the pre-petition senior secured notes and $175 million of new money • $50 million Interim amount	$35 million junior DIP facility, comprised of a delayed-draw term loan provided by existing noteholders	• $350 million DIP facility, comprised of a $250 million roll-up of the pre-petition RBL and $100 million of new money • LC sublimit: $1 million • $87.5 million Interim amount
Ratings (Moody's / S&P)	N/A	N/A	N/A
Tenor	9 months	6 months	8 months
Drawn Spread	• L + 725 bps (roll-up) • L + 800 bps (new money) • 50 bps commitment fee	• L + 550 bps • 100 bps commitment fee	• L + 350 bps (old money) • L + 425 bps (new money) • 100 bps unused
LIBOR Floor	N/A	N/A	N/A
OID/Upfront Fee	N/A	200 bps	175 bps
Milestones	• Within 5 days following the Petition Date, entry of the Interim Order • Within 40 days following the Petition Date, entry of Final DIP Order • Within 110 days after the Petition Date, filing of a proposed Plan of Reorganization and related Disclosure Statement • Within 155 days of the Petition Date, entry of Order approving the Disclosure Statement • Within 225 days of Petition Date, confirmation of Plan of Reorganization • Within 255 days following the Petition Date, the effective date of a confirmed Acceptable Plan of Reorganization	• Within 30 days following the Petition Date, entry of Final DIP Order • Within 75 days of the Petition Date, entry of Order approving Plan • Within 95 days of Petition Date, Plan Effective Date	• Within 30 days following the Petition Date, (i) filing of an RSA in form an substance acceptable to the Lenders and (ii) within 60 days following the Petition Date, obtain an order from the Bankruptcy Court authorizing the entry into the RSA • Within 150 days following the Petition Date, filing of an Acceptable Plan of Reorganization and Disclosure Statement • Within 180 days following the Petition Date, entry by the Bankruptcy Court of an order confirming the Acceptable Plan of Reorganization • No later than 210 days following the Petition Date, the Approved Plan of Reorganization shall be effective
Financial Covenants	Tested twice a month for the preceding four-week period • Permitted variances for Disbursements (excluding professional fees) no more than 15% (or 25% solely in the case of the operating disbursements related to the line item titled "midstream"	Tested twice a month for the preceding four-week period • Minimum liquidity of $15 million • Permitted variances for Disbursements (excluding professional fees) no more than 20%	Tested twice a month for the preceding four-week period • Permitted variances for Disbursements (excluding professional fees) no more than 15%

Select E&P DIP Financings (cont'd)

	Vanguard Natural Resources	Parker Drilling	Gastar Exploration
Filing Date	March 31, 2019	December 12, 2018	October 31, 2018
Admin Agent	Citi	BofA	Ares
Facility	• $130 million Revolving DIP Revolver ◦ $65 million roll-up of the pre-petition RBL ◦ $65 million of new money	$50 million DIP-to-Exit Revolver provided by BofA and Deutsche	$383.9 million DIP Term Loan provided by Ares
Ratings (Moody's / S&P)	N/A	N/A	N/A
Tenor	9 months	4 months (DIP) 4 years (Exit)	3.5 months
Drawn Spread	L + 550 bps	L + 400 bps (DIP) L + 225-275 bps (Exit) 50 bps unused fee	L + 750 bps
LIBOR Floor	N/A	N/A	2.0%
OID/Upfront Fee	75 bps	N/A	175 bps
Milestones	• Within 30 days following the Petition Date, filing of an Acceptable Plan of Reorganization and Disclosure Statement • Within 35 days following the Petition Date, entry by the Bankruptcy Court of a final order authorizing the DIP facility, in substantially the same form as the Interim DIP Order subject to modifications satisfactory to the Administrative Agent • Within 80 days following the Petition Date, entry by the Bankruptcy Court of an order approving a Disclosure Statement • Within 110 days following the Petition Date, entry by the Bankruptcy Court of an order confirming the Acceptable Plan of Reorganization • No later than 120 days following the Petition Date, the Approved Plan of Reorganization shall be effective	• 45 days after the Petition Date: Approval of the Disclosure Statement and Rights Offering Procedures • 91 days after the Petition Date: Entry of the Confirmation Order • 106 days after the Petition Date: Effectiveness of the Plan	• 30 days after the Petition Date: Approval of the Final Order • 60 days after the Petition Date: Approval of the Acceptance Plan and Disclosure Statement ("Confirmation Date") • 20 days after Confirmation Date: Effectiveness of the Plan
Financial Covenants	Tested twice a month for the preceding four-week period • Permitted variances for Disbursements (excluding professional fees) no more than 15% • Minimum Liquidity of $10 million from Interim Facility Effective Date to 30 days after, $15 million from 30 days after Interim Facility Effective Date to the Final Facility Effective Date, $25 million thereafter	• Minimum liquidity of $25 million • Permitted Variance for Disbursements (excluding professional fees) no more than 20%	Tested weekly for the preceding four-week period • Permitted Variances for Capex no more than cumulative budgeted amount for such period • Permitted Variances for Disbursements no more than cumulative budgeted amount for such period

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Select E&P DIP Financings (cont'd)

	Pacific Drilling	Fieldwood	Exco
Filing Date	September 25, 2018 (closing date)	February 15, 2018	January 15, 2018
Admin Agent	Wilmington Trust	Cortland	Hamblin Watsa Investment Counsel
Facility	$85 million multi-draw DIP Term Loan provided by certain existing ad hoc secured lenders	$60 million Junior DIP Term Loan provided by certain pre-petition second lien lenders	$250 million DIP Revolver provided by Fairfax and certain pre-petition Secured Lenders
Ratings (Moody's / S&P)	N/A	N/A	N/A
Tenor	4 months	6 months	12 months
Drawn Spread	Prime + 600 bps 100 bps unused fee	10% 100 bps unused fee	L + 400 bps 50 bps unused fee
LIBOR Floor	N/A	N/A	0.0%
OID/Upfront Fee	200 bps	300 bps	100 bps
Milestones	• Approval of Rights Offering and Private Placement Procedures • Approval of DIP Financing • Approval of the Acceptance Plan and Disclosure Statement • Confirmation and Effectiveness of the Plan	• 90 days after the Petition Date: Approval of the Acceptance Plan and Disclosure Statement ("Confirmation Date") • 20 days after Confirmation Date: Effectiveness of the Plan	• July 1, 2018: Seek a hearing to consider the sale of all or substantially all of the debtor's properties
Financial Covenants	Tested weekly for the preceding four-week period • Permitted Variances for Capex no more than cumulative budgeted amount for such period • Permitted Variances for Disbursements no more than cumulative budgeted amount for such period	Tested twice a month for the preceding four-week period • Permitted Variances for Receipts no more than 15% • Permitted Variances for Disbursements no more than 15%	Tested twice a month for the proceeding four-week period • Permitted Variances for Disbursements (excluding professional fees) no more than 20%

Preliminary Business Plan Assumptions

	2020E		2021E		2022E		2023E		2024E		2025E	
	Dayrate ($K)	Utilization (%)	Dayrate ($K)	Utilization (%)	Dayrate ($K)	Utilization (%)	Dayrate ($K)	Utilization (%)	Dayrate ($K)	Utilization (%)	Dayrate ($K)	Utilization (%)
Dual Activity Drillships	176	38%	165	27%	160	25%	175	25%	225	25%	250	39%
8500s	97	22%	150	26%		0%		0%		0%	150	33%
Other Modern Semis	220	31%	202	40%	200	42%	200	42%	200	42%	200	85%
Heavy Duty Ultra-Harsh Environment	123	79%	130	64%	133	61%	149	71%	153	88%	170	90%
Heavy Duty Harsh Environment	79	45%	79	54%	90	57%	96	57%	107	73%	117	75%
Heavy Duty - Modern	70	45%	69	45%	65	38%	73	38%	87	57%	97	86%
Standard Duty - Modern	67	53%	67	38%	74	28%	75	26%	81	39%	86	67%
Standard Duty - Legacy	63	69%	70	94%	67	94%	80	83%	90	90%	90	90%
Legacy Drillships		0%										
Legacy Semis	111	89%										
Total Fleet, excl. ARO & Managed Platforms	**98**	**47%**	**101**	**45%**	**103**	**39%**	**118**	**38%**	**127**	**49%**	**139**	**67%**
ARO Bareboat Charter	26	100%	25	100%	22	98%	22	96%	23	98%	28	95%
Managed Platforms	91	100%	85	100%	106	100%	107	100%	107	100%	107	100%

	2020E		2021E		2022E		2023E		2024E		2025E	
	Total Rig Count	Active Rig Count	Total Rig Count	Active Rig Count	Total Rig Count	Active Rig Count	Total Rig Count	Active Rig Count	Total Rig Count	Active Rig Count	Total Rig Count	Active Rig Count
Dual Activity Drillships	11	4	12	4	13	4	13	4	13	4	13	7
8500s	3	1	3	0	3	0	3	0	3	0	3	2
Other Modern Semis	2	1	2	1	2	1	2	1	2	1	2	2
Heavy Duty Ultra-Harsh Environment	6	5	6	5	6	5	6	5	6	6	6	6
Heavy Duty Harsh Environment	6	4	6	4	6	4	6	4	6	5	6	5
Heavy Duty - Modern	12	6	12	6	12	5	12	5	12	8	12	12
Standard Duty - Modern	7	3	7	2	7	2	7	2	7	3	7	5
Standard Duty - Legacy	4	4	3	3	1	1	1	1	1	1	1	1
Legacy Drillships	0	0	0	0	0	0	0	0	0	0	0	0
Legacy Semis	0	0	0	0	0	0	0	0	0	0	0	0
Total Fleet, excl. ARO and Managed Platforms	**51**	**28**	**51**	**25**	**50**	**22**	**50**	**22**	**50**	**28**	**50**	**40**
ARO Bareboat Charter	9	9	9	9	9	9	9	9	9	9	6	6
Managed Platforms	2	2	2	2	2	2	2	2	2	2	2	2

- **Day Rates & Utilization**
  - Floaters day rates decline in 2021 and remain relatively flat through 2022, with utilization and day rates increasing more meaningfully in the 2023 to 2025 period, leading to rig reactivations in 2025.
  - Jackup day rates remain relatively flat through 2022, with rates increasing in the 2023 to 2025 period. Reactivations for higher spec rigs expected beginning in 2023.
- **Existing Contract Adjustments**
  - Existing contracts are assumed to take the most likely outcome based on customers' termination provisions and reflect latest expectations.
- **Newbuilds**
  - DS-13 and DS-14 are delivered in 2021 and 2022, respectively, and both rigs begin working after 2025. Milestone payments and accrued interest are assumed to be paid in full in 2022.
- **Rig Retirements**
  - Three second-tier drillships and five semisubmersibles retired in 2020.
  - 11 legacy standard duty jackups are retired as their contracts expire over the forecast period, and two heavy duty jackups retired in 2020.
- **Cost Reductions**
  - Assume significant reductions in rig operating expenses along with reductions to shore-based G&A and support costs.
- **Other**
  - ARO makes no payments on the shareholder loan principal but pays interest each year.
  - Cash taxes are assumed based on the location the rigs are assumed to be working.
  - Assumes a June 30, 2020 filing and a 12-month case.

Preliminary Company Business Plan

$M	2020E	2021E	2022E	2023E	2024E	2025E
Floaters	$ 376	$ 283	$ 243	$ 266	$ 333	$ 634
Jackups	657	554	515	550	796	1,072
Managed Platforms	67	62	77	78	78	78
ARO Drilling leased revenue	85	82	72	70	74	57
Other revenue[1]	176	44	33	36	48	71
Amortization revenue	32	34	4	0	0	0
Total revenue	**1,393**	**1,060**	**945**	**1,000**	**1,329**	**1,913**
Floaters	442	248	188	187	188	325
Jackups	533	347	334	319	412	500
Managed Platforms	47	42	54	54	54	54
Daily rig opex	1,021	636	576	560	654	879
Stacking costs[2]	58	52	65	67	58	37
Preservation costs	41	10	-	-	-	-
Reactivation costs	6	10	-	38	108	144
Rig-based opex	1,126	708	641	665	820	1,060
Reimbursable expense	91	33	25	24	32	48
Amortization Expense	49	34	4	0	0	0
Total Expense	**1,266**	**775**	**671**	**689**	**852**	**1,108**
Operating margin	126	285	274	311	477	805
G&A/Support costs	261	170	156	152	175	215
Net amortized items[3]	16	(1)	(1)	(0)	(0)	-
Other operating income[4]	119	1	1	0	0	-
EBITDA	**$ 0**	**$ 115**	**$ 119**	**$ 159**	**$ 302**	**$ 590**
EBITDARP[5]	47	135	119	197	410	734
EBITDARPS[6]	106	187	184	263	468	771

[1] Other revenue includes $53M of contract termination fees in 2020, along with approx. $123 million of revenue for items such as ARO, mobilizations, personnel, equipment, catering and other reimbursable costs.

[2] Stacked costs include annual costs associated wit preservation stacked rigs only. The average preservation stacking cost on an annual basis is approximately $3.7M for a drillship, $1.8M for a sem and $1.3M for a jackup.

[3] Adjustment to add back amortized expenses (e.g. amortized mobilization costs) and remove amortizec revenue (e.g. mobilization revenue) that are exclude from EBITDA, EBITDARP & EBITDARPS calculations.

[4] Other operating income includes the insurance proceeds from the DS-8 contract termination.

[5] EBITDA excluding reactivation and preservation costs.

[6] EBITDA excluding reactivation, preservation, and stacking expenses.

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Preliminary Company Business Plan (Continued)

$M	2020E	2021E	2022E	2023E	2024E	2025E
EBITDA	$ 0	$ 115	$ 119	$ 159	$ 302	$ 590
Maintenance capex	(50)	(41)	(40)	(39)	(46)	(61)
Rig survey and related costs	(57)	(86)	(38)	(91)	(105)	(114)
Newbuild costs	(9)	(25)	(362)	-	-	-
Reimbursed capex	11	-	-	-	-	-
Cash Taxes	(60)	(32)	(38)	(41)	(59)	(102)
Tax refunds/penalties	-	18	21	-	-	-
Working capital changes	1	48	5	24	(6)	(155)
Costs to achieve recurring savings[7]	(54)	(7)	(3)	(3)	(3)	-
Restructuring fees[8]	(84)	(142)	-	-	-	-
Transaction costs[9]	(45)	(1)	-	-	-	-
Share-based compensation	22	19	20	20	20	20
Pension payments	(28)	(21)	(30)	(36)	(39)	(36)
Cash interest from ARO	18	18	18	18	18	18
Other cash adjustments[10]	(42)	46	(2)	-	-	-
Proceeds from asset sales	47	1	1	-	1	-
Unlevered cash flow[11]	**$ (329)**	**$ (91)**	**$ (330)**	**$ 11**	**$ 83**	**$ 160**
H2 2020+ Cumulative UCF	$ (91)	$ (182)	$ (512)	$ (501)	$ (419)	$ (258)
H2 2020+ Cumulative UCF (excl. newbuilds)[12]	(91)	(157)	(124)	(108)	(18)	150
Active rigs[13]						
Drillships	4	4	4	4	4	7
Semisubmersibles	2	1	1	1	1	4
Jackups	22	20	17	17	23	29
ARO leased[14]	9	9	9	9	9	6
Total	37	34	31	31	37	46

[7] Includes non-recurring severance and implementation costs along with professional fees.
[8] Assumes a 12-month case.
[9] Includes merger integration costs and fees associated with a shareholder matter.

[10] Other cash adjustments include a settlement with a legacy company partner, impress inventory and other adjustments.
[11] Unlevered cash flow excludes estimated 1H 2020 cash interest costs for senior notes and revolving credit facility of approximately $160 million, does not include $39 million of June interest payments for senior notes.
[12] Excludes holding costs, interest, final milestone payments and stacking costs for DS-13 and DS-14

[13] Active rigs at the end of each calendar year; excludes cold stacked rigs. Active rig count at the end of 2019 was 9 drillships, 6 semisubmersibles, 37 jackups, and 9 ARO leased jackups.
[14] ARO leased rigs Charles Rowan, Rowan Middletown, and Arch Rowan assumed to be retired at the end of 2024.

Note: Estimated revolving credit facility balance on June 30, 2020 of approximately $510 million, with approximately $200 million of cash on hand, exclusive of $39 million of June interest payments for senior notes

WACC Analysis

WACC Calculation Inputs		
Date of Market Data		5/1/2020
Median Capital Structure of Comparables	Rating	62.35%
Target Capital Structure	CCC	70.00%
Debt Beta		0.30
Median of Comparables Asset Beta		1.16
Unlevered Asset Beta		1.16

Cost of Equity	Low	High
U.S. Risk Free Rate (20-Year CMT Bond)	1.04%	1.04%
Assumed Equity Market Risk Premium	6.50%	7.50%
Relevered Equity Beta	2.68	2.68
Unadjusted Cost of Equity	18.49%	21.17%
Country Risk Premium	0.00%	0.00%
Inflation Differential	0.00%	0.00%
Small Cap Risk Premium	0.00%	0.00%
Idiosyncratic Risk Premium	0.00%	0.00%
Adjusted Cost of Equity	**18.49%**	**21.17%**

Cost of Debt	Low	High
Expected Long-Term Yield	15.45%	15.45%
Country Risk Premium	0.00%	0.00%
Inflation Differential	0.00%	0.00%
Idiosyncratic Risk Premium	0.00%	0.00%
Adjusted Cost of Debt	15.45%	15.45%
Effective Marginal Tax Rate	24.1%	24.1%
Adjusted After-Tax Cost of Debt	**11.73%**	**11.73%**

Weighted Average Cost of Capital	**14.16%**

- Current market 10-year UST rate and 20-year US CMT rate for cost of debt and equity risk free rates, respectively
- Equity market premium range of 6.5%-7.5% per FSG guidance
- Asset beta of 1.16, based on the "Oilfield Services/Equipment" industry beta per NYU Stern research, as of January 2020
- Debt beta of 0.3 per FSG guidance for HY companies
- Target leverage of 70%, roughly in line with the median of the comparable companies
- Cost of debt sourced from Citi's Energy Service Index (May 1, 2020). The WACC analysis shown here assumes a credit rating of CCC in line with peers leveraged at approximately 70%
- No PRP assumed given offshore assets with majority assets operating in developed economies
- No inflation differential as all report in USD with majority of revenues, costs and investments made in USD
- For WACC, Valaris effective marginal tax rate of 24.5% is based on geographic operational mix, with 2019 revenues as a proxy
  - Valaris is a UK-domiciled company, subject to tax of the jurisdiction in which an asset is operating
  - Corporate tax rates were based on Deloitte 2019 corporate tax estimates
- Ensco's WACC has risen from ~10.6% in March 2019 to ~14.0% due to the significant rise in credit spreads for offshore drilling borrowers, from 7.0% to 14.9%
  - This change properly reflects the increased concern in the credit markets regarding the viability of high-yield offshore energy issuers, concerns regarding liquidity of Valaris (average yield of >100%) and its peers, and a historically weak oil price environment

DCF - Base Case

Valaris 5-Year DCF Analysis ($MM)	2015	2016	2017	2013	2019	2020P	2021P	2022P	2023P	2024P	2025P	'19-'25 CAGR
	Year Ended December 31,											
Total Revenue	$3,934.4	$2,571.4	$1,843.0	$1,705.4	$2,229.7	$1,397.0	$1,410.4	$1,762.1	$1,916.9	$2,228.4	$2,494.7	1.6%
Contract Drilling Expense	(1,869.6)	(1,301.0)	(1,189.5)	(1,319.4)	(1,936.8)	(1,432.7)	(1,369.8)	(1,519.8)	(1,588.2)	(1,755.6)	(1,886.3)	
SG&A	(78.2)	(61.2)	(116.6)	(61.1)	(100.9)	(87.0)	(88.9)	(91.0)	(93.1)	(95.2)	(97.4)	
Adjusted EBITDA	**$1,986.6**	**$1,209.2**	**$536.9**	**$324.9**	**$192.0**	**($122.8)**	**($48.3)**	**$151.3**	**$235.6**	**$377.6**	**$511.0**	**15.0%**
Margin %	50.5%	47.0%	29.1%	19.1%	8.6%	-8.8%	-3.4%	8.6%	12.3%	16.9%	20.5%	
Depreciation & Amortization	(572.5)	(445.3)	(444.8)	(478.9)	(609.7)	(671.6)	(617.0)	(620.0)	(611.0)	(606.0)	(608.0)	
Adjusted EBIT	**$1,414.1**	**$763.9**	**$92.1**	**($154.0)**	**($417.7)**	**($794.4)**	**($665.3)**	**($468.7)**	**($375.4)**	**($228.4)**	**($97.0)**	**NM**
Margin %	35.9%	29.7%	5.0%	-9.0%	-18.7%	-56.9%	-47.2%	-26.6%	-19.6%	-10.2%	-3.9%	
Cash Taxes @ 24.1%						0.0	0.0	0.0	0.0	0.0	0.0	
Unlevered Net Income						**($794.4)**	**($665.3)**	**($468.7)**	**($375.4)**	**($228.4)**	**($97.0)**	**NM**
Margin %						-56.9%	-47.2%	-26.6%	-19.6%	-10.2%	-3.9%	
Depreciation & Amortization						671.6	617.0	620.0	611.0	606.0	608.0	
Change in Net Working Capital						48.9	(13.6)	(85.2)	(37.2)	(70.3)	(61.9)	
Capital Expenditures						(137.0)	(143.0)	(326.0)	(127.0)	(140.0)	(159.0)	
Reactivation Costs						0.0	0.0	0.0	(90.0)	(300.0)	0.0	
Restructuring Costs						(70.0)	(21.0)	(9.0)	0.0	0.0	0.0	
Asset Sales						42.0	0.0	1.0	0.0	1.0	0.0	
Other						(25.0)	10.0	(7.0)	(12.0)	(9.0)	(5.0)	
Unlevered Free Cash Flow						**($263.9)**	**($216.0)**	**($274.9)**	**($30.5)**	**($140.7)**	**$285.1**	

Terminal Value - EBITDA Multiple Method		
Terminal Forward EBITDA (2026)	$638.5	
Forward EBITDA Multiple	6.6x	
Terminal Value in 2025	**$4,218.9**	
PV of 2020-2025 Cash Flows	($575.8)	-35.5%
PV of Terminal Value	2,196.8	135.5%
Cash Adjustments[1]	0.0	0.0%
Enterprise Value	**$1,621.0**	**100.0%**
EV / 2023P EBITDA	**6.9x**	

Discount Rate	Enterprise Value Terminal Forward EBITDA Multiple				
	5.6x	**6.1x**	**6.6x**	**7.1x**	**7.6x**
13.2%	$1,364.3	$1,537.2	$1,710.2	$1,883.1	$2,056.1
13.7%	1,325.9	1,495.5	1,665.0	1,834.6	2,004.1
14.2%	1,288.5	1,454.7	1,621.0	1,787.2	1,953.4
14.7%	1,252.0	1,415.0	1,578.0	1,741.0	1,904.0
15.2%	1,216.4	1,376.2	1,536.0	1,695.9	1,855.7

1. Cash Adjustments calculated as $184.9MM cash on hand less assumed appropriate minimum operating cash balance (35% sales), if amount is greater than zero.

DCF - Downside Case

Valaris 5-Year DCF Analysis ($MM)	2015	2016	2017	2018	2019	2020P	2021P	2022P	2023P	2024P	2025P	'19-'25 CAGR
	Year Ended December 31,											
Total Revenue	**$3,934.4**	**$2,571.4**	**$1,843.0**	**$1,705.4**	**$2,229.7**	**$1,345.9**	**$1,028.8**	**$1,323.1**	**$1,624.9**	**$1,740.1**	**$1,820.7**	**(2.9%)**
Contract Drilling Expense	(1,869.6)	(1,301.0)	(1,189.5)	(1,319.4)	(1,936.8)	(1,411.8)	(1,109.6)	(1,198.0)	(1,354.2)	(1,402.7)	(1,429.9)	
SG&A	(78.2)	(61.2)	(116.6)	(61.1)	(100.9)	(87.0)	(88.9)	(91.0)	(93.1)	(95.2)	(97.4)	
Adjusted EBITDA	**$1,986.6**	**$1,209.2**	**$536.9**	**$324.9**	**$192.0**	**($152.9)**	**($169.7)**	**$34.1**	**$177.6**	**$242.2**	**$293.4**	**6.2%**
Margin %	50.5%	47.0%	29.1%	19.1%	8.6%	-11.4%	-16.5%	2.6%	10.9%	13.9%	16.1%	
Depreciation & Amortization	(572.5)	(445.3)	(444.8)	(478.9)	(609.7)	(671.6)	(617.0)	(620.0)	(611.0)	(606.0)	(608.0)	
Adjusted EBIT	**$1,414.1**	**$763.9**	**$92.1**	**($154.0)**	**($417.7)**	**($824.5)**	**($786.7)**	**($585.9)**	**($433.4)**	**($363.8)**	**($314.6)**	**NM**
Margin %	35.9%	29.7%	5.0%	-9.0%	-18.7%	-61.3%	-76.5%	-44.3%	-26.7%	-20.9%	-17.3%	
Cash Taxes @ 24.1%						0.0	0.0	0.0	0.0	0.0	0.0	
Unlevered Net Income						**($824.5)**	**($786.7)**	**($585.9)**	**($433.4)**	**($363.8)**	**($314.6)**	**NM**
Margin %						-61.3%	-76.5%	-44.3%	-26.7%	-20.9%	-17.3%	
Depreciation & Amortization						671.6	617.0	620.0	611.0	606.0	608.0	
Change in Net Working Capital						61.4	64.3	(73.3)	(65.3)	(26.6)	(19.6)	
Capital Expenditures						(119.0)	(106.7)	(89.5)	(111.5)	(112.0)	(127.2)	
Reactivation Costs						0.0	0.0	0.0	0.0	0.0	0.0	
Restructuring Costs						(70.0)	(21.0)	(9.0)	0.0	0.0	0.0	
Asset Sales						42.0	0.0	1.0	0.0	1.0	0.0	
Other						(25.0)	10.0	(7.0)	(12.0)	(9.0)	(5.0)	
Unlevered Free Cash Flow						**($263.5)**	**($223.2)**	**($143.7)**	**($11.1)**	**$95.6**	**$141.6**	

Terminal Value - EBITDA Multiple Method		
Terminal Forward EBITDA (2026)	$374.7	
Forward EBITDA Multiple	6.6x	
Terminal Value in 2025	**$2,475.8**	
PV of 2020-2025 Cash Flows	($389.3)	-43.3%
PV of Terminal Value	1,289.1	143.3%
Cash Adjustments[1]	0.0	0.0%
Enterprise Value	**$899.8**	**100.0%**
EV / 2023P EBITDA	**5.1x**	

Discount Rate	Enterprise Value – Terminal Forward EBITDA Multiple: 5.6x	6.1x	6.6x	7.1x	7.6x
13.2%	$751.7	$853.2	$954.7	$1,056.2	$1,157.7
13.7%	728.0	827.5	926.9	1,026.4	1,125.9
14.2%	704.7	802.3	899.8	997.4	1,094.9
14.7%	682.1	777.7	873.4	969.0	1,064.7
15.2%	660.0	753.8	847.6	941.3	1,035.1

1. Cash Adjustments calculated as $184.9MM cash on hand less assumed appropriate minimum operating cash balance (35% sales), if amount is greater than zero.

DCF – Risk of Loss Case

Valaris 5-Year DCF Analysis ($MM)	Year Ended December 31, 2015	2016	2017	2018	2019	2020P	2021P	2022P	2023P	2024P	2025P	'19-'25 CAGR
Total Revenue	**$3,934.4**	**$2,571.4**	**$1,843.0**	**$1,705.4**	**$2,229.7**	**$1,294.0**	**$965.1**	**$1,113.8**	**$1,261.9**	**$1,475.2**	**$1,592.3**	**(4.7%)**
Contract Drilling Expense	(1,869.6)	(1,301.0)	(1,189.5)	(1,319.4)	(1,936.8)	(1,344.2)	(1,039.5)	(1,047.1)	(1,102.4)	(1,228.8)	(1,286.3)	
SG&A	(78.2)	(61.2)	(116.6)	(61.1)	(100.9)	(87.0)	(88.9)	(91.0)	(93.1)	(95.2)	(97.4)	
Adjusted EBITDA	**$1,986.6**	**$1,209.2**	**$536.9**	**$324.9**	**$192.0**	**($137.2)**	**($163.4)**	**($24.4)**	**$66.4**	**$151.2**	**$208.6**	**1.2%**
Margin %	50.5%	47.0%	29.1%	19.1%	8.6%	-10.6%	-16.9%	-2.2%	5.3%	10.2%	13.1%	
Depreciation & Amortization	(572.5)	(445.3)	(444.8)	(478.9)	(609.7)	(671.6)	(617.0)	(620.0)	(611.0)	(606.0)	(608.0)	
Adjusted EBIT	**$1,414.1**	**$763.9**	**$92.1**	**($154.0)**	**($417.7)**	**($808.8)**	**($780.4)**	**($644.4)**	**($544.6)**	**($454.8)**	**($399.4)**	**NM**
Margin %	35.9%	29.7%	5.0%	-9.0%	-18.7%	-62.5%	-80.9%	-57.9%	-43.2%	-30.8%	-25.1%	
Cash Taxes @ 24.1%						0.0	0.0	0.0	0.0	0.0	0.0	
Unlevered Net Income						**($808.8)**	**($780.4)**	**($644.4)**	**($544.6)**	**($454.8)**	**($399.4)**	**NM**
Margin %						-62.5%	-80.9%	-57.9%	-43.2%	-30.8%	-25.1%	
Depreciation & Amortization						671.6	617.0	620.0	611.0	606.0	608.0	
Change in Net Working Capital						67.1	66.8	(42.6)	(35.3)	(43.7)	(25.8)	
Capital Expenditures						(119.0)	(106.7)	(89.5)	(111.5)	(112.0)	(127.2)	
Reactivation Costs						0.0	0.0	0.0	0.0	0.0	0.0	
Restructuring Costs						(70.0)	(21.0)	(9.0)	0.0	0.0	0.0	
Asset Sales						42.0	0.0	1.0	0.0	1.0	0.0	
Other						(25.0)	10.0	(7.0)	(12.0)	(9.0)	(5.0)	
Unlevered Free Cash Flow						**($242.1)**	**($214.3)**	**($171.5)**	**($92.4)**	**($12.5)**	**$50.6**	

Terminal Value - EBITDA Multiple Method		
Terminal Forward EBITDA (2026)	$279.5	
Forward EBITDA Multiple	6.6x	
Terminal Value in 2025	**$1,847.1**	
PV of 2020-2025 Cash Flows	($566.5)	-143.3%
PV of Terminal Value	961.7	243.3%
Cash Adjustments[1]	0.0	0.0%
Enterprise Value	**$395.2**	**100.0%**
EV / 2023P EBITDA	**5.9x**	

Discount Rate	Enterprise Value – Terminal Forward EBITDA Multiple: 5.6x	6.1x	6.6x	7.1x	7.6x
13.2%	$280.6	$356.3	$432.0	$507.7	$583.5
13.7%	264.9	339.2	413.4	487.6	561.9
14.2%	249.7	322.5	395.2	468.0	540.8
14.7%	234.8	306.2	377.5	448.9	520.3
15.2%	220.3	290.3	360.3	430.3	500.2

1. Cash Adjustments calculated as $184.9MM cash on hand less assumed appropriate minimum operating cash balance (35% sales), if amount is greater than zero.

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Preliminary Cash Preservation Business Plan Assumptions

Cash Preservation: Base

DAYS WORKING

Total Days	Q4'20	Q4'21	Q4'22	Q4'23	Q4'24	Q4'25
Floaters	460	424	410	457	469	653
DS	368	314	332	379	390	497
8500	92	20	-	-	-	-
Modern Semi	-	90	78	78	78	156
Legacy Semi	-	-	-	-	-	-
Jackups	1,797	1,452	1,287	1,288	1,740	2,105
HDUHE	459	273	314	372	473	499
HDHE	276	275	275	322	416	416
HDM	366	445	342	333	507	673
SDM	337	183	181	178	261	433
SDL	359	276	176	83	83	83

REVENUE

Revenue	Q4'20	Q4'21	Q4'22	Q4'23	Q4'24	Q4'25
Floaters	65	65	69	82	103	155
DS	59	47	53	66	88	124
8500	7	1	-	-	-	-
Modern Semi	-	17	16	16	16	31
Legacy Semi	-	-	-	-	-	-
Jackups	142	118	110	133	193	243
HDUHE	52	31	38	56	73	85
HDHE	23	23	24	31	45	49
HDM	24	32	23	26	46	65
SDM	20	13	13	13	21	37
SDL	22	19	12	7	7	7

IMPLIED W.A. DAY RATES

Implied WA Day Rates	Q4'20	Q4'21	Q4'22	Q4'23	Q4'24	Q4'25
Floaters	142	154	168	179	221	238
DS	160	150	160	175	225	250
8500	73	59	-	-	-	-
Modern Semi	-	190	200	200	200	200
Legacy Semi	-	-	-	-	-	-
Jackups	79	81	86	103	111	115
HDUHE	114	115	121	151	155	170
HDHE	84	84	88	96	107	117
HDM	65	72	67	78	91	97
SDM	61	70	73	75	81	86
SDL	62	68	69	80	90	90

Cash Preservation vs Base Case

- The Cash Preservation Case was created in an effort to evaluate a financeable business plan that mitigates cash burn in the next five years, while preserving optionality and upside in the event of material day rate improvement
  - As a result of the changes, the Company burns $453M less in the projection period through 2025, with cash troughing earlier and at a lower level
- Key changes to the business plan include:
  - Scrapping of eleven additional rigs
  - No additional milestone payments on the DS-13 and DS-14
  - Additional marketed / utilized 7th generation drillship
    - One additional working drillship illustratively reflected as DS-7
    - Additional contracting assumption based on historical utilization of high-specification drillships and marketing given fewer stacked rigs and more resources devoted to remaining 7th generation drillship fleet
- Despite the increased scrapping, the Company maintains optionality to the upside under the Cash Preservation Case with 8 7th generation drillships remaining in the fleet, including two preservation stacked rigs available for future reactivation

Preliminary Cash Preservation Business Plan

($ in millions)

Cash Preservation Case, Base	2020	2021	2022	2023	2024	2025
Floater	$370	$318	$290	$319	$403	$573
Jack-Up	646	532	459	529	753	952
ARO	85	82	72	70	74	57
Managed Rig	67	62	77	78	78	78
Rig Revenue	**$1,168**	**$994**	**$899**	**$996**	**$1,308**	**$1,660**
Reimbursable Revenue	173	45	31	35	48	71
Other Revenue	32	29	4	0	0	0
Total Revenue	**$1,373**	**$1,067**	**$934**	**$1,031**	**$1,355**	**$1,730**
Rig Opex	(1,076)	(701)	(637)	(621)	(699)	(817)
Preservation Costs	(32)	(6)	-	-	-	-
Reactivation Costs	(6)	(10)	-	(38)	(63)	(56)
Other Opex	(131)	(60)	(29)	(24)	(32)	(48)
Total Rig-Based Opex	**($1,245)**	**($776)**	**($665)**	**($683)**	**($793)**	**($921)**
GM %	*9%*	*27%*	*29%*	*34%*	*41%*	*47%*
G&A	(267)	(175)	(165)	(168)	(190)	(230)
EBITDA	**($139)**	**$116**	**$103**	**$180**	**$372**	**$579**
Adjustments	18	(1)	0	0	-	-
DS-8 Insurance Recovery	118	-	-	-	-	-
Adjusted EBITDA	**($2)**	**$115**	**$103**	**$180**	**$372**	**$579**
(+) Proceeds from Retirements	42	1	1	-	1	-
(+) WC Changes	(60)	(30)	(5)	1	6	(110)
(+) Reimbursed Capex	11	-	-	-	-	-
(+) ARO Cash Interest	18	18	18	18	18	18
(+) SBC	20	19	20	20	20	20
(-) DS-13 Int.	(9)	(2)	(9)	-	-	-
(-) Maint. Capex	(44)	(42)	(42)	(41)	(48)	(55)
(-) Special Surveys	(56)	(63)	(32)	(95)	(92)	(49)
(-) Newbuild Costs	-	-	-	-	-	-
(-) Cash Taxes	(57)	(43)	(48)	(55)	(73)	(100)
(-) Tax Penalties	-	18	21	-	-	-
(-) RX Fees	(84)	(142)	-	-	-	-
(-) Transaction Costs	(37)	(1)	-	-	-	-
(+) Impress Inventory	20	20	-	-	-	-
(+/-) Insurance Timing	(13)	9	-	-	-	-
(+/-) R&I Timing	(4)	4	-	-	-	-
(-) Inpex Adjustment	(9)	9	-	-	-	-
(-) Costs for RX Savings	(58)	(4)	-	-	-	-
(-) Pension	(28)	(21)	(29)	(41)	(32)	(25)
(-) Al Rashaid Settlement	(28)	-	-	-	-	-
ULFCF	**($378)**	**($135)**	**($2)**	**($13)**	**$173**	**$279**

Offshore Drilling – General Assumptions

Primary assumption of the forecasts is standard execution of the contracted backlog per latest fleet report (April 2020) through all the cases. We incorporate the IRM Offshore dayrate curve for the uncontracted portion in all the Cases. Sensitivities include revenue efficiency and timing of restart

	Base Case	Downside Case	Risk of Loss Case
Contracted [Firm / Options]	Continues to perform on contracted basis, with minimal sensitivities applied as majority of contracted drillships/jackups are now at market dayrates ($150-200k/day) and not the 2014/15 rates of $400k/day+ and thus have limited risk of being repriced, additionally the majority of the contracts are with large highly rated E&P majors Total, BP, and Saudi Aramco. We assume options are not exercised given the market uncertainties. Current contract information is sourced from the 04/26/2020 fleet status report		
Un-contracted [or Options]	Valaris has identified ~21 off-contract rigs to be scrapped in the near-term. We have assumed high quality modern rigs, measured through the CIRA CCI scores and age of construction, to find new and meaningful contract as the cycle recovery takes place through 2024-25. All rigs that come off-contract in 2020-2021 are hot stacked for 6 months until the next contract is available	Rigs scheduled to come off-contract in 2020-21 see a 12-month delay in finding its next project. In addition to the already planned rig reductions, Valaris also scraps higher quality rigs that have been have been cold stacked long enough that it is not economically viable to re-start.	Rigs scheduled to come off-contract in 2020-21 see a 12-month delay in finding its next project. As in the Downside Case, all vessels currently cold stacked are eventually retired. Additionally, lower quality rigs coming off contract in the next 2 years are cold stacked and eventually scrapped as well as the market continues to suffer from a supply-demand imbalance.
Dayrates	Same for all cases. We are relying on the basic IRM framework (explained in the Industry section). The extrapolation into specific asset is based on the historical differentials seen in the Morgan Stanley reports in 2016-18. We note that current dayrates for the 6G and Jackups continue to average $150-200k/day and $65-95k/day, respectively. Our dayrate assumptions are inline with this slow recovery in rates, dayrate recovery for floaters and JUs are assumed to climb to $370k / $125k as utilization levels increase (continuing decline in marketable fleet as long stacked MODUs become old and obsolete coupled with exorbitant costs for reactivation)		
Utilization / revenue days active as a proportion of total days	Revenue efficiency assumed to be 97% in the Base Case – which is slightly below 2019 performance and below peak quarterly and annual efficiency of 100% and 99%, respectively. Valaris has evidenced strong uptime in the past and we assume will be able to maintain at the same level in the future	Utilization of the contracted rig assumed at 80% vs. 90% in Base Case for 2020-2022, then 85% through 2026. Uptime is assumed to be 95% as a sensitivity to the Base Case. Uptime has a high sensitivity to revenues and ability to maintain client relations, thus our sensitivity is adequate given long term historical uptime has been of ~98-99%	Utilization of the contracted rig assumed at 70% vs. 90% in Base Case for 2020-2023, then 80% through 2026. Uptime is assumed to be 94% as a sensitivity to the Base Case. Uptime has a high sensitivity to revenues and ability to maintain client relations, thus our sensitivity is adequate given long term historical uptime has been of ~98-99%
Operating Expenditures ("OpEx"):	Broadly in line with reported historical levels, we assume average OpEx of the drillships and jackups rigs to be ~$140k/day and ~$55k/day, respectively, plus annual U.S. inflation per IMF forecasts. SG&A costs as a % of revenue peak in the near-term as revenue decline, then fall back towards normalized levels. Shore costs are assumed to be ~$7.5MM per rig plus annual inflation, based on management commentary regarding its ARO fleet		
Stack Costs	Warm / Cold stack costs of $40k/day / $10k/day for drillships ands $20k/$5k for jackups in line with industry and Management guidance for floaters. Note that stacking can be done at much cheaper dayrate levels by clubbing pool of assets and moving them to more salubrious climes, but we do not account for this upside in our projections		
Reactivation Costs	Assumed to be on average $50MM per drillship and $15MM per JU after one year and $75MM and $30MM if stacking is greater than a year. Restart costs are highly dependent on technical requirement specifics and quality of warm/cold stack as well as the SPS classification certification required. E.g., Ensco in 2017 reactivated a (1yr+) preserve stack rig DS-4 with $28MM of expenses and $15MM in capital upgrades. On the higher end, Diamond Offshore in 2018 reactivated and retooled the victory class semi-sub, Endeavor (cold stacked since 3Q 2016), for a $200MM+ project spread over 2-years which includes spares, testing, demobilization and SPS. We assume this will be accounted for as a Capital Expenditure rather than an operating expense		
Capital Expenditures	Maintenance CapEx is calculated based on management guidance in the Base Case and on an implied per active rig basis for the Downside and Risk of Loss cases. Valaris has 2 rigs under construction at this time, due in 2022 and 2023, although the 2023 is assumed by management to be cancelled. We have assumed the 2022 delivery is cancelled in the Downside and Risk of Loss cases.		
Market Data	WACC assumed at 14%, which is higher by ~350 bps from the March 2019 valuation due to credit yields widening for OFS companies from ~10% to ~15%. The trading range of large offshore drillers through the last three years have trended higher with the markets supporting asset values despite material declines in NTM EBITDA. The recent three years have added a lot of noise to the trading multiples, given i) expectation of recovery and depressed EBITDAs ii) M&A action and iii) large moves on the oil market. The average trading multiples from 2004 to 2016 (12-years excluding recent period) stands at 6.6x as against the 7.7x seen in the recent 10-year period. Additionally using a 15-year data set and stripping out FY18-20 multiples, the average of the comps remains 6.6x, which is the figure we used in our Terminal Multiple calculation		

Industry Overview – IRM Dayrate Assumptions

Still Too Many Rigs

IRM Assumption Notes

- Even on bullish case the total additional floater requirement could be up to 60 new deployment through 2020-26e vs. 100+ of supply (including new builds). Midpoint new additions through the next five years are ~30 new rig placements
- Similarly for Jackups – additional mid-point requirement of 90-100 new JUs to be contracted vs. ~150 available
- Positively, many of the large drillers have shown good capital discipline by cancelling new build orders through 2018-19 (VAL, RIG and SDRL earlier)
- Note we apply the dayrates to the uncontracted portion of the forecast. The dayrate assumptions are an amalgamation of research reports (including CIRA) and IRM adjustments to reflect the protracted nature of recovery and the wide misses to forecasts / guidance registered by both Offshore drilling companies and Equity research. Our 2020P rates are in-line with current recorded dayrates for specific asset classes and increase to cycle averages by 2023-24P as more FIDs get sanctioned and given the time period, the overcapacity in the MODU fleet dissipates (scrapping, inability to market, technical obsolescence etc.)
- Shallow water assets over the last two years have fared better given the lower initial investments and quicker discovery to extraction timelines. Almost all projects over the last 3-5years have registered significant costs savings with structural changes in the per barrel cost of offshore barrel. With that in mind, our Jackup rate discount to industry estimates is around the 10% vs. Floater dayrate discounts of up to 32%. That being said, there are several high quality rigs with long-standing relationship with client and field knowledge which can enable much higher rates vs. averages and our forecasts do build on that wherever possible
- Aside from very select transactions in the market, the broad range of rates in the floater market continues to be in the $150-200k/day for 2019-20e contracts and this situation will only improve as Tier-1 & 2 floater assets are locked away for long-term contracts forcing new contracts to be signed at significantly higher rates or trading down the Tier
- The current supply-demand picture for MODUs appears challenging with oil demand in a recessionary environment coupled with Covid-19 outages suggestive of extremely limited contracting activity in 2020 except for those already sanctioned for lucrative long-tail assets8.25

IRM Dayrate Forecasts ($ k/day)

				Forecast Period						
Dayrate Summary ($k/day)	2017A	2018A	2019A	2020P	2021P	2022P	2023P	2024P	2025P	2026P
Floaters										
7G	176	173	185	210	200	235	265	290	315	340
6G	155	156	170	190	180	215	240	265	290	310
5G	134	139	150	150	135	175	175	175	180	195
Jackups										
Standard Jackup	57	57	60	60	55	60	70	70	70	75
High Spec Jackup	77	77	80	80	75	90	95	105	110	120

Forecasts for floaters on average 20% below industry and 10% below for Jackups. Industry continues to factor a multi-year step function jump in rates to arrive at long-term averages

Industry Forecast Snapshot and Variation to IRM

	2019	2020	2021	2022	2023
Transocean Sep 2019 Dayrates					
7G/6G Dual BOP	180	275	350	400	420
7G/6G Dual Activity	180	275	350	400	420
6G Standard	160	265	325	375	375
5G Dual Activity	150	245	300	350	350
5G Standard	125	195	285	285	285
Deepwater	160	220	250	250	250
HSHE Semis	375	420	475	503	434
HE Semi	245	300	330	345	295
Midwater	150	170	200	200	200
Seadrill Oct 2019 Dayrates					
Floater BE	190	230	275	350	400
Floater HE	203	240	275	450	500
Jackup BE	83	90	100	105	115
Jackup HE	200	209	226	246	246
Other Dayrates					
JPM Floaters 2Q 2019	150	175	210	300	350
QGOG Constellation BR Floaters Jan 2019	175	230	260	280	340
Clarksons 2Q19 Mid Floaters	170	225	260	335	350
Valaris Nov 2019 Floaters	90	161	200	263	297
Valaris Nov 2019 Jackups	70	96	106	121	125
Morgan Stanley 6G+ Dec 2019	213	288	325	375	400
Morgan Stanley Pre 6G+ Dec 2019	153	193	213	225	250
MS Standard JU [Old >20yrs age]	55	60	65	70	70
MS Premium JU	70	85	100	120	120
MS Hi Spec JU	90	110	125	150	150
Averages in Model Format					
Floaters					
7G	194	270	325	406	435
6G	165	220	256	302	331
5G	142	193	246	275	283
Standard Jackup	69	82	90	99	103
Premium Jackup / HiSpec	80	98	113	135	135
Jackup Harsh Enviroment / Hi Spec	124	136	150	167	170
Current Dayrates Assumptions vs. Industry Forecast Avg.					
7G	*(4.6%)*	*(22.1%)*	*(32.3%)*	*(32.3%)*	*(24.1%)*
6G	*2.8%*	*(13.5%)*	*(21.9%)*	*(17.3%)*	*(9.3%)*
5G	*5.9%*	*(17.0%)*	*(28.9%)*	*(27.1%)*	*(20.5%)*
Standard Jackup	*(6.2%)*	*(8.5%)*	*(11.4%)*	*(8.8%)*	*(3.2%)*
High Spec Jackup	*0.0%*	*(7.7%)*	*(6.7%)*	*(18.5%)*	*(7.4%)*

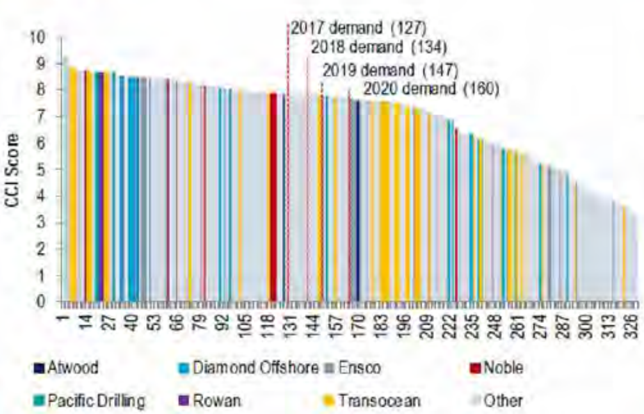
IRM Assumptions – Macros and Mendoza

In order to determine which MODUs come back online / are viable for restarts and re-contracting in the recovery phase of the offshore drilling market, we have utilized CIRA's proprietary CCI score methodology

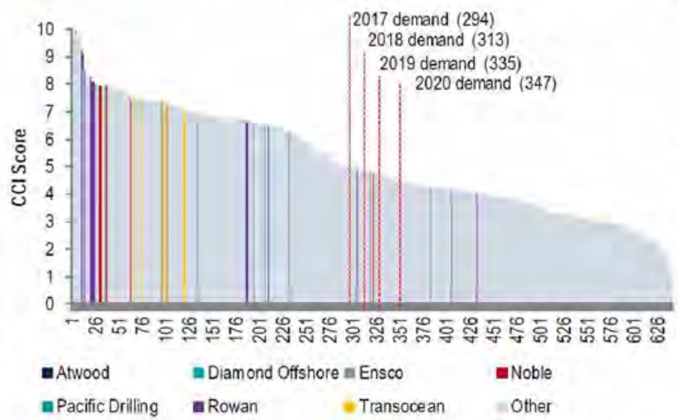
Notes

- Transocean, Diamond, Valaris, Noble, Seadrill Group, Odjfell, Saipem, Vantage, Maersk and Borr own around 3/4th of the contracted offshore drilling rigs, the remaining rigs are owned by small / independent (<10 rigs) operators. The fragmentation of the industry has materially declined through 2014 given three large M&A (RIG+Songa, RIG+ORIG, ESV+RDC)
- Dayrate recovery, utilization and the absolute number of rigs which are reactivated or scrapped are co-dependent of each other. For e.g., scrapping of technically adequate but stacked rigs by the main operators will have a positive impact on rates and conversely reactivating rigs earlier than demand uptick can lead to more protracted recovery in rates
- We believe the critical success factors for OFS Driller Cos continues to be a) asset type (age and yard build) b) utilization and dayrates c) backlog d) newbuild, restart capex e) relationship with international E&P majors f) regional diversity and g) liquidity
- For determining which rigs have the highest probability of getting new contracts during the estimated 2020-26P upcycle, we utilize the Mendoza curve established through the **Citi Complexity Index (CCI)**
  - **CCI** is calculated by CIRA regressing historical dayrates generated by each rig the based on various factors that outline below in the table. For the Mendoza Line, the intersection of the supply curve with demand highlights the threshold below which an Offshore Driller is increasingly challenged to justify a rig's existence in its fleet. Ultimately, CIRA's analysis indicates which rigs are most likely to work and which face more competition for a very limited set of opportunities
  - This does not imply that rigs above the watermark don't get work and have to be scrapped, but the justification for deploying is greater and probability of contracting lower. Similarly, not all rigs below the mark will be automatically deployed, rate, tenure and potential investment negotiations will form a large part of the equation

Floaters



Jackups



Key Variations Noted through 2018

- The total floater demand is expected to remain flattish around the 130-140 rigs mark in 2019/20P given current state of contracting
- New deployment through 2020P not as bullish as previously expected
- Rigs on the right of the Mendoza line finding short-term work and competing on rates
- Management noting new requirements for technical qualification and subsequently reinvesting in assets to compete effectively

Source: The Offshore Driller Mendoza Line How to Assess Rig Quality in Potential, Citi Research, March 2017

Leveraged Lending Tagging – DIP Facility

Standard

Currency USD

Debt Calculation

Senior Debt	
RCF (drawn + undrawn commitment)	500.0
TLA	
TLB	
Senior Notes	
Other	
Total Senior Committed Facilities	500.0

Subordinated Debt	
Subordinated Debt	
Structurally Subordinted Debt	
Other	
Total Subordinated Debt	-

Total Committed Facilities	500.0

Adjusted EBITDA Calculation

Net Income	
Interest Expense	
Income Taxes	
Depreciation	
Amortization	
Unadjusted/Reported EBITDA	
Non-Cash Charges	
Non-Recurring Adjustments	
Pro Forma Adjustments	
Synergies/Cost Savings (#4 on RAC Checklist)	
NTM Base Case EBITDA	118.9

Leverage Ratio Test

		Leverage Obligor
Senior Committed Facilities / EBITDA > 3.0x	4.21	Y
Total Committed Facilities / EBITDA > 4.0x	4.21	

Core Test

Is the client a Term Loan B or High Yield Bond issuer?	Yes
Does the client have an underwriting commitment or bridge commitment from Citi?	No
Does the client have material private equity ownership?	No

Leverage Bucket

Facility/GFRN	**FRR**	**Leverage Tag**
VAL DIP - GFRN TBD	5 or Worse	Core

Note that leveraged ratios are calculated based on forward Base Case EBITDA per guidance from Leveraged Lending Portfolio Head in April 2020.

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RAC Checklist – DIP RCF

RAC Checklist / Direct Leveraged Lending - HIGH GRADE

UNDERWRITING STANDARDS		Check (On/Off)
Repayment Capacity	Base Case forecast demonstrates ability to repay at least 50% of total debt or 100% of senior secured debt in 5-7 years **OR** Adjusted TDRCR > 1. Not applicable to i) workouts/restructurings, ii) sectors characterized by "long lived assets" (e.g., utilities, towers), iii) obligors where financing terms are being improved	*Met*
Sound Business Practices	Extensive due diligence and financial analysis has been completed and reasonable Loan-to-Value appropriate to the industry and related cash flow characteristics has been reflected in structure and terms	*Met*
If #1 OR 2 is NOT MET, facility is OFF-RAC		
Leverage not > 6.0x	Leverage does not exceed 6.0x (not applicable to Reg Power & Utilities sector)	*Met*
Limitations on EBITDA Add-backs	Cost savings and synergies addbacks in determining Adjusted EBITDA may not exceed 25% of Adjusted EBITDA and must be realized within 24 months from the date the underlying actions are taken	*Met*
Meaningful Amortization	Institutional Term Loan benefits from 1% amortization p.a. and Excess Cash Flow Sweep (not required for structures with required amortization of 25% or more within the first 5 years); TLAs with tenor > 3 year must amortize at least 20% prior to maturity	*Met*
Debt/Enterprise Value	Funded Debt/Enterprise Value not > 75%. To the extend the loan is part of a new LBO, cash equity NOT < 25%	*Met*
Maximum Tenor	RCF 5 years (6 years for Europe). Tenor not to exceed 6 years for non-institutional term loan (7 years for APAC and EMEA), 8 years for institutional term loan	*Met*
Maximum Commitment Period for Underwritten Loans	Not greater than 9 months with 6 month extension for regulatory approval and when greater than 7 months, escrow or full spread ticking fees	*Met*
Meaningful Covenants	A minimum of 1 maintenance covenant with cushion not greater than 35% when Funded Debt/EBITDA is greater than 4.0x	*Met*
Equity Cure	A provision in a facility agreement which permits the shareholders of the borrower to inject additional equity into the borrower to "cure" a financial covenant breach arising because of a shortfall in cashflow or, sometimes, EBITDA. To the extend the loan has equity cures, not more than 2 in any 4 consecutive fiscal quarters and not more than 5 over the life of the facility	*Met*
Incremental facility	"Free and Clear" baskets limited to one full turn of Adjusted EBITDA measured by reference to the last 4 consecutive fiscal quarters prior to the closing date. "Free and Clear" basket refers to a fixed dollar amount of incremental loans (accordions) permitted under the credit agreement without regard to a leverage ratio or similar	*Met*
Limitation on Dilution, Sale or exchange of Collateral of cash flow producing assets without Lender consent	Appropriately structured collateral package for secured loans and restriction on liens and fundamental changes (e.g., sale of assets, merger) for unsecured loans	*Met*
Cross Payment Default or Cross Acceleration	The credit agreement must include relevant language	*Met*
Change of Control	Repayment should be required upon a change of control. N/A for loans with FRR 4+ or better	*Met*
Assignments	Assignments permitted with Borrower consent not to be unreasonably withheld unless there is a payment default or bankruptcy in which case Borrower consent in not required	*Met*
Or if more than 5 criterion is NOT MET from #3-15, facility is OFF-RAC		*0 Exceptions*

Final RAC Conclusion	*ON-RAC*
Tranche Type	*RCF*

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Adjusted Pro Forma DRM – DIP Facility

DRAFT

VALARIS PLC

Ratings Report

GFCID:1001704539
GFPID:1001704539
NAICS Code and Name:213111 - Drilling Oil and Gas Wells

SIC Code:1381
SIC Name:DRILLING OIL AND GAS WELLS

Currency: USD-United States dollar
Scaling:Millions (MM)

Analyst:TY51138-Tian Yu
Date of Incorporation(MM/YYYY):01/1975

Printed:17/06/2020 13:37
Country:GB-UNITED KINGDOM
Operating Country:US-UNITED STATES

DRM Time Period:	03/2020	03/2021			
BALANCE SHEET ITEMS:	Historical	Forecast	Historical	Historical	Historical
[Audited]/[Unaudited]—>	Unaudited	Unaudited			
Cash and Equivalents	184.900	184.900	0.000	0.000	0.000
Financial Investments/Mktbl. Secs.	0.000	0.000	0.000	0.000	0.000
Total Cash & ST Investments	184.900	184.900	0.000	0.000	0.000
Accounts Receivable	493.200	493.200	0.000	0.000	0.000
Allowance for Doubtful Accounts	0.000	0.000	0.000	0.000	0.000
Total Receivables	493.200	493.200	0.000	0.000	0.000
Inventory	0.000	0.000	0.000	0.000	0.000
Prepaid Expense	0.000	0.000	0.000	0.000	0.000
Intercompany Current Assets	0.000	0.000	0.000	0.000	0.000
Current Deferred Tax Assets	0.000	0.000	0.000	0.000	0.000
Other Operating Current Assets	427.500	427.500	0.000	0.000	0.000
Other Non-Operating Current Assets	0.000	0.000	0.000	0.000	0.000
Total Current Assets	1105.600	1105.600	0.000	0.000	0.000
Gross Property, Plant & Equipment	14461.900	14461.900	0.000	0.000	0.000
Accumulated Depreciation	-2304.700	-2304.700	0.000	0.000	0.000
Net Property, Plant & Equipment	12157.200	12157.200	0.000	0.000	0.000
Capital Value of Finance Leases	0.000	0.000	0.000	0.000	0.000
Intercompany Non-Current Assets	0.000	0.000	0.000	0.000	0.000
Goodwill & Other Intangibles	0.000	0.000	0.000	0.000	0.000
Non Current Deferred Tax Assets	0.000	0.000	0.000	0.000	0.000
Other Operating Long-Term Assets	187.000	187.000	0.000	0.000	0.000
Other Non-Operating LT Assets	0.000	0.000	0.000	0.000	0.000
Equity & Other Investments	575.300	575.300	0.000	0.000	0.000
CAT Total Assets	14025.100	14025.100	0.000	0.000	0.000
Curr. Income Taxes Payable	0.000	0.000	0.000	0.000	0.000
Dividends Payable	0.000	0.000	0.000	0.000	0.000
Accts Payable & Accrued Expenses	660.700	660.700	0.000	0.000	0.000
Intercompany Current Liabilities	0.000	0.000	0.000	0.000	0.000
Short-Term Borrowings	0.000	0.000	0.000	0.000	0.000
Current Portion of L.T. Debt	224.500	525.000	0.000	0.000	0.000
Current Portion of Cap. Leases	0.000	0.000	0.000	0.000	0.000
Other Operating Current Liabs	0.000	0.000	0.000	0.000	0.000
Current Deferred Tax Liabilities	0.000	0.000	0.000	0.000	0.000
Other Non-Operating Curr Liabs	0.000	0.000	0.000	0.000	0.000
Total Current Liabilities	885.200	1185.700	0.000	0.000	0.000
Intercompany Non Current Liabs	0.000	0.000	0.000	0.000	0.000
Senior Long-Term Debt	6148.600	0.000	0.000	0.000	0.000
Subordinated Debt	0.000	0.000	0.000	0.000	0.000
Capital Leases	0.000	0.000	0.000	0.000	0.000
Def. Tax Liability Non-Curr.	0.000	0.000	0.000	0.000	0.000
Pension Provisions	0.000	0.000	0.000	0.000	0.000
Long Term Provisions	0.000	0.000	0.000	0.000	0.000
Other Operating LT Liabilities	695.700	1245.700	0.000	0.000	0.000
Other Non-Operating LT Liabilities	0.000	0.000	0.000	0.000	0.000
CAT Total Liabilities	7729.500	2431.400	0.000	0.000	0.000
Minority Interest	-2.700	-2.700	0.000	0.000	0.000
Preferred Stock	6295.600	11593.700	0.000	0.000	0.000
Common Stock	0.000	0.000	0.000	0.000	0.000
Additional Paid-In Capital	0.000	0.000	0.000	0.000	0.000
Treasury Stock	0.000	0.000	0.000	0.000	0.000
Retained Earnings	0.000	0.000	0.000	0.000	0.000
Other Reserves (incl. compr. Inc)	0.000	0.000	0.000	0.000	0.000
Revaluation Surplus	0.000	0.000	0.000	0.000	0.000
Total Common Equity	6295.600	11593.700	0.000	0.000	0.000
CAT Total Common Equity	6292.900	11591.000	0.000	0.000	0.000

DRM Time Period:	03/2020	03/2021			
	Historical	Forecast	Historical	Historical	Historical
Total Equity	6292.900	11591.000	0.000	0.000	0.000
CAT Total Liabilities and Equity	14022.400	14022.400	0.000	0.000	0.000
Balance Sheet Check	**2.700**	**2.700**	**0.000**	**0.000**	**0.000**

INCOME STATEMENT:	03/2020	03/2021			
Revenues	2103.900	2103.900	0.000	0.000	0.000
Other Revenues	0.000	0.000	0.000	0.000	0.000
Total Revenues	2103.900	2103.900	0.000	0.000	0.000
Cost of Goods Sold	1949.400	1949.400	0.000	0.000	0.000
Gross Profit	154.500	154.500	0.000	0.000	0.000
Selling General & Admin Expenses	212.700	212.700	0.000	0.000	0.000
Rental Expense	0.000	0.000	0.000	0.000	0.000
R&D Expense	0.000	0.000	0.000	0.000	0.000
Depreciation	649.200	649.200	0.000	0.000	0.000
Amortization	0.000	0.000	0.000	0.000	0.000
Other Operating Expense / (Income)	18.900	18.900	0.000	0.000	0.000
Other Op Expense/(Income) NonCash	0.000	0.000	0.000	0.000	0.000
Other Operating Expenses, Total	880.800	880.800	0.000	0.000	0.000
Operating Income	-726.300	-726.300	0.000	0.000	0.000
Interest Expense	-460.500	-27.500	0.000	0.000	0.000
Interest Expense Of Finance Lease	0.000	0.000	0.000	0.000	0.000
Interest Income	29.400	0.000	0.000	0.000	0.000
Net Interest Expense	-431.100	-27.500	0.000	0.000	0.000
Currency Exchange Gain (Loss)	0.000	0.000	0.000	0.000	0.000
Other Non-Operating Inc/Exp	822.900	822.900	0.000	0.000	0.000
Income/(Loss) from Affiliates	0.000	0.000	0.000	0.000	0.000
EBT Excl Unusual Items	-334.500	69.100	0.000	0.000	0.000
Goodwill Writeoff	0.000	0.000	0.000	0.000	0.000
Legal Settlements	179.700	179.700	0.000	0.000	0.000
Other Unusual Items	-2912.200	-2912.200	0.000	0.000	0.000
EBT Incl Unusual Items	-3067.000	-2663.400	0.000	0.000	0.000
Income Tax Expense	53.100	53.100	0.000	0.000	0.000
Minority Interest in Earnings	0.000	0.000	0.000	0.000	0.000
Earnings from Cont. Ops	-3120.100	-2716.500	0.000	0.000	0.000
CAT Earnings from Cont. Ops.	-3120.100	-2716.500	0.000	0.000	0.000
Earnings-Discontinued Operations	0.000	0.000	0.000	0.000	0.000
Extraordinary Item & Acctg Change	0.000	0.000	0.000	0.000	0.000
CAT Net Income	-3120.100	-2716.500	0.000	0.000	0.000
Pref. Dividends and other Adj.	0.000	0.000	0.000	0.000	0.000
Common Dividends	0.000	0.000	0.000	0.000	0.000
NI to Common Incl. Extra Items	-3120.100	-2716.500	0.000	0.000	0.000
Income Statement Check	0.000	0.000	0.000	0.000	0.000

OTHER ITEMS:	03/2020	03/2021			
Capital Expenditure (CITI)	234.300	234.300	0.000	0.000	0.000
Deferred Tax Expense	0.000	0.000	0.000	0.000	0.000
Interest Capitalized	0.000	0.000	0.000	0.000	0.000
LIFO Reserve	0.000	0.000	0.000	0.000	0.000
Contingent Liabilities	0.000	0.000	0.000	0.000	0.000
Guarantee Liabilities	0.000	0.000	0.000	0.000	0.000
Specific Income	2.800	0.000	0.000	0.000	0.000
Unrealized Gain	0.000	0.000	0.000	0.000	0.000
Unrealized Loss	0.000	0.000	0.000	0.000	0.000
PP&E Depreciation	0.000	0.000	0.000	0.000	0.000
Pension Costs	0.000	0.000	0.000	0.000	0.000
Derivative Assets Current	0.000	0.000	0.000	0.000	0.000

ADVISORS'-EYES ONLY

Adjusted Pro Forma DRM – DIP Facility (Cont.)

DRAFT

VALARIS PLC

Ratings Report

GFCID:1001704539
GFPID:1001704539
NAICS Code and Name:213111 - Drilling Oil and Gas Wells

SIC Code:1381
SIC Name:DRILLING OIL AND GAS WELLS

Currency: USD-United States dollar
Scaling:Millions (MM)

Analyst:TY51138-Tian Yu
Date of Incorporation(MM/YYYY):01/1975

Printed:17/06/2020 13:37
Country:GB-UNITED KINGDOM
Operating Country:US-UNITED STATES

OTHER ITEMS:	03/2020	03/2021			
Derivative Assets Long-Term	0.000	0.000	0.000	0.000	0.000
LTD Derivative Instruments	0.000	0.000	0.000	0.000	0.000
Curr Port-LTD Derivative Instr.	0.000	0.000	0.000	0.000	0.000
Accrued Interest Payable	0.000	0.000	0.000	0.000	0.000
Gain (Loss) from Inflation	0.000	0.000	0.000	0.000	0.000
Deflator Rate	0.000000	0.000000	0.000000	0.000000	0.000000
Exchange Rate 2	0.0000	0.0000	0.0000	0.0000	0.0000
Tax Rate	0.00	0.00	0.00	0.00	0.00
Exchange Rate	1.0000	1.0000	0.0000	0.0000	0.0000
Inflation Rate	0.0229	0.0229	0.0000	0.0000	0.0000
Year Weight	0.20	0.80	0.00	0.00	0.00

OPERATING LEASE:	03/2020	03/2021			
Min Lease Payments Next Year	25.400	25.400	0.000	0.000	0.000
Min Lease Payments Next Year + 1	18.400	18.400	0.000	0.000	0.000
Min Lease Payments Next Year + 2	12.600	12.600	0.000	0.000	0.000
Min Lease Payments Next Year + 3	10.700	10.700	0.000	0.000	0.000
Min Lease Payments Next Year + 4	8.100	8.100	0.000	0.000	0.000
All Years Thereafter	17.200	17.200	0.000	0.000	0.000
Sum of Future Payments	92.400	92.400	0.000	0.000	0.000
Estimated Life	7.000	7.000	0.000	0.000	0.000
Debt Service Requirement	13.200	13.200	0.000	0.000	0.000
Asset Value	76.965	76.965	0.000	0.000	0.000
Interest Component	3.687	3.687	0.000	0.000	0.000
Depreciation Component	9.513	9.513	0.000	0.000	0.000

Critical Ratios	03/2020	03/2021			
Tangible Net Worth In USD MM	6295.6000	11593.7000			
Growth in Leverage	-999.0000	-0.6787			
Net Worth to Liabilities	0.8065	4.6220			
Reported Net Income to Costs	-1.4431	-1.2564			
Debt Service Capacity Ratio	0.1202	1.2389			
Cash Ratio	0.2067	0.1547			
Interest Coverage Ratio	0.0329	0.0022			

Comp Values In Relative Rank %	03/2020	03/2021			
Tangible Net Worth In USD MM	95	95			
Growth In Leverage	85	85			
Net Worth to Liabilities	50	90			
Reported Net Income to Costs	30	30			
Debt Service Capacity Ratio	30	80			
Cash Ratio	40	30			
Interest Coverage Ratio	25	85			

Yearly Financial Ranking %	48	72			
Overall Financial Ranking %	67				
Baseline ORR	BB+	5+			

3 Yr Probability of Default	5

Industry:MIN-Mining

NOTE THIS MODEL PRODUCES RATING BASED ON A 1-YEAR PD

ADVISORS'-EYES ONLY

CITI_DIP_0000510

Exposure Summary – DIP Scenario

VALARIS PLC Exposure Summary as of Apr 2020 Month End

$ in millions

		Facility Amount				FINAL SENIOR APPROVER
		Current	*Changed*	*Proposed*	*Unallocated*	#N/A
TFA	Direct	235.0	(87.8)	147.2	-	
	Contingent	-		-	-	
	PSE	-		-	-	
	Fronting Risk	42.8	(21.9)	20.9		
	Other	-		-		
	Gross TFA	**277.8**	**(109.7)**	**168.1**	-	
	Hedging	-	-	-		
	Net TFA	**277.8**	**(109.7)**	**168.1**		
	Settlement	-		-	-	
	Clearing	-	**418.0**	**418.0**	-	
	Metric	*Net TFA Approver*	*Settlement Approver*	*Clearing Approver*		
	Approver:	#N/A	Not Required	Not Required		

CAGID	1001704539
OLR / WAOLR:	
Relationship Mgmt Ind. L2	Shipping & Maritime Logistics
Relationship Mgmt Ind. L3	Offshore
UW Dist > 1 Year:	No
BL Dist > 1 Year:	No
Hedge Ratio Benefit (HRB):	1.67
Full Annual Review or Rating Change:	☐
Standard Analysis:	☐
OR	
Impacted Categories:	
TFA ☑	**Relationship Exposure** ☑
Settlement ☐	**Investment Exposure** ☐
Clearing ☐	**Citi Exposure** ☑

		Exposure			Risk Capital		
		Current	*Changed*	*Proposed*	*Current*	*Changed*	*Proposed*
Relationship Exposure	Direct	235.0	(87.8)	147.2	1.6	1.3	2.9
	Investment Securities (Relationship Managed)	-		-	-		-
	Cash Placements	-		-	-		-
	Long Term Distribution (Direct)	-		-	-		-
	Contingent	-		-	-		-
	PSLE	-		-	-		-
	Fronting Risk				0.3	(0.3)	-
	Unmatched - Cash Trade Eligible	-		-			-
	Unmatched - Non-Cash Trade Eligible	-		-	0.0		0.0
	Total (Gross)	**235.0**	**(87.8)**	**147.2**	**1.9**	**1.0**	**2.9**
	Hedging	-		-	-		-
	Hedge Ratio Benefit	-		-			
	Post Primary Sell Down	-		-	-		-
	EAF Eligible / Approved Cash Collateral	-		-	-		-
	Total (Net)	**235.0**	**(87.8)**	**147.2**	**1.9**	**1.0**	**2.9**
	Limit	#N/A	146.9	#N/A	12.0		12.0
	Capacity / (Exception)	#N/A	N/A	#N/A	10.1	N/A	9.1
	Metric Approver:			#N/A			SCO
	CSRL			Yes			No
	TREE			#N/A			No
Investment Exposure	Investment Securities	-		-	-		-
	Cash Placements	-		-	-		-
	Total (Gross)	-	-	-	-	-	-
	Hedging			-			-
	Total (Net)	-	-	-	-	-	-
	Limit	#N/A		#N/A	12.0		12.0
	Capacity / (Exception)	#N/A	N/A	#N/A	12.0	N/A	12.0
	Metric Approver:			Not Required			Not Required
	CSIL			N/A			N/A
	TIEE			N/A			N/A
Citi Exposure					Distribution Stress Loss		
	Underwriting	-		-			-
	Bridge Loans	-		-			-
	Total Distribution	-	-	-	-	-	-
					Risk Capital		
	Issuer Risk	(6.1)		(6.1)			
	Contingent Collateral	0.0		0.0			
	Equity Investments	-		-			
	Total (Gross, incl EAF / Cash Collateral)	**229.9**	**(87.8)**	**142.1**	**1.9**	**1.0**	**2.9**
	Hedging			-			-
	Total (Net)	**229.9**	**(87.8)**	**142.1**	**1.9**	**1.0**	**2.9**
	Limit	#N/A		#N/A	25.0		25.0
	Capacity / (Exception)	#N/A	N/A	#N/A	23.1	N/A	22.1
	Metric:			*Exposure Approver*	*Risk Capital Approver*	*Distribution Stress Loss Approver*	*Global Industry / Region Head?*
	Approver:			#N/A	No Approval	#N/A	#N/A
	CSCL			No	No		
	TCEE			#N/A	No		
Third Party Support					Risk Capital		
	Third Party Support Risk Capital				-	-	-
	Metric:					*Relationship Approver*	*Citi Approver*
	Proposed Third Party Support + Proposed Risk Capital:					2.9	2.9
	Approver:					No Approval	No Approval

	Current	Industry Limit	Headroom / (Exception)
Exposure	9,886	12,000	2,114
Risk Capital	350.6	430.0	79.4

Note: Industry Limit data as of February'20, Issuer Risk data as of April'20

Legend: Notional | Model based

Usage < 90% | 90% to 95% | 95% to 100% | >100%

Additional Information

- Assumes current pre-petition OLR of 10
- Per ICG Risk Policy, new transactions to IRM Managed or Co-managed relationships with an OLR of 6 or worse do not require TFA, Relationship Exposure, Investment Exposure and Third Party Support approval since they are captured in IRM Policy.
- Per ICG Risk Policy, for Relationships with an OLR of 7+ or worse, we referred to the Problem Recognition and Remedial Management Policy ("IRM Policy").
- Per ICG Risk Policy, only the category of Exposure on the Credit Approval Grid which applies for relationships with an OLR of 7+ or worse is Citi Exposure.
- Per IRM Policy, Business approval requirements for Obligors with OLRs of 7+ or worse are the same as Business approvals if the OLR was 6-.
- Per IRM Policy, Industry Specialist or Leveraged Lending Approvals are not required for facilities that are IRM Direct Managed or IRM Co- managed.

Facilities ($mm)	TFA	Total OSUC	Total Risk Capital
New Money DIP Facility	$82.0	$82.0	$2.5
Pre-petition RCF	65.2	65.2	0.4
Fronting under DIP Facility	20.9	0.0	0.1
Pro Forma Gross Total	**$168.1**	**$147.2**	**$3.0**
Risk Mitigation Adjustment (UW/Br/PPSD)	0.0	0.0	0.0
Pro Forma Net Total	**$168.1**	**$147.2**	**$3.0**
Post UW Relationship Exposure (OLR 10)	125.0	50.0	12.0
Relationship Exposure or Risk Capital (Exception) / Availability	**($43.1)**	**($97.2)**	**$9.0**

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CBNA Booking Template

NAM Booking Model Template

(This template should be completed and included in the Appendix of all related Credit Approval memos)

Obligor / Project Name	Project Verge
GFCID (put N/A if new client)	1032341825
Region	North America

Template User	Rayne Yu
PAM	Derrick Lenz
Portfolio Manager	Peter Baumann

	Proposed	*Expected*
Commitment Level (%)	16.5%	14.5%
Distribution Stress Loss ($MM)	0.0	0.0
Aggregate Risk Capital ($MM)	2.5	2.2

Domicile of Borrower	United States
Multiple Currencies?	No
Currency	USD

Is there Tying? (based on the Anti-Tying Worksheet)	No	Anti-tying restrictions not breached.
Facility Classification	Special Mention	Consult Risk before determining the booking vehicle.
CBNA Lending Principle Analysis Required?	Yes	Complete remainder of template to justify and document why transaction is appropriate for CBNA.
CBNA CRO Approval Required?	Yes	CBNA CRO must be included as an approver in the Credit Approval memo for 'Material CBNA Exposure'.
		Engage CBNA management early in the process to consider revenue attribution and distribution of risk.

CBNA Lending Principle Analysis

(Please refer to the CBNA Lending Principles - Part 2 released in Nov 2017)

Proposed Commitment - 50% Underwrite

(iii)	**List the facility or facilities to be approved**	**Proposed Commitment ($MM)**	**Proposed Distribution Stress Loss ($MM)**	**Proposed HFI Amount (if fully syndicated, put $0) ($MM)**	**Number of legal entities the facility will be booked across**	**Citigroup legal entity where the facility will be booked**	**Commitment to be booked in this entity**	**Additional Citigroup legal entity where the facility will be booked**	**Commitment to be booked in this entity**
(Facility 1)	Revolving DIP Credit Facility	82.0	0.0	82.0	2	CBNA	41.0	CNAI	41.0

	Proposed Commitment ($MM)	**Proposed Distribution Stress Loss ($MM)**	**Proposed HFI Amount (if fully syndicated, put $0) ($MM)**
Total	82.0	0.0	82.0

CBNA Booking Template (continued)

(v) ***CBNA Lending Standards***

Standard 1: CBNA will not underwrite transactions that are in excess of its risk appetite. As such, the following conditions should apply:

1. High confidence in distribution / syndication of CBNA's underwriting exposure
2. Successful distribution will bring the position back into limits
3. Credit profile and outlook for the obligor are acceptable

The following free form box should be used to explain **why the excess size is appropriate for CBNA** (keeping in mind that CBNA is smaller than Citigroup). Please discuss any distribution or credit concerns from a CBNA perspective and include discussion of the mitigation strategy (i.e., why are we comfortable with the amount and how quickly do we expect to get back within limits). Please also address the logic in splitting up the facility or facilities across legal entities, if applicable. There is no need to repeat information in the credit memo and please do not reference non-CBNA business as this should not form part of the rationale for booking on CBNA.

Please refer to Rationale on following slide.

Standard 2: Loans extended by CBNA will be to clients that have an existing CBNA relationship. If it is a new client, the transaction will result in future business opportunities for CBNA

1. Returns are acceptable. There is either a meaningful existing revenue stream that flows to CBNA or the transaction has a high likelihood (>75% probability) of resulting in future business opportunities for CBNA.

I confirm that the statement(s) above are true and that Standard 2 has been met in order to justify the booking of this commitment on CBNA. Yes

Standard 2 should apply to all loans extended by CBNA. If Standard 2 is not applicable, please explain why the transaction is still appropriate for CBNA. If Standard 2 is applicable, this box can also be used (but is not required) for any other information which will help the approver understand why booking on CBNA is appropriate.

Standard 3: CBNA will avoid extending, or participating in, loans that will result in a loss for CBNA, even if extended on the premise to protect a client relationship

1. The transaction will have a positive Profit & Loss impact to CBNA (i.e., CBNA will earn enough to cover expected loss, costs of sell down, etc.)

I confirm that the statement(s) above are true and that Standard 3 has been met in order to justify the booking of this commitment on CBNA. Yes

Standard 3 should apply to all loans extended by CBNA. If Standard 3 is not applicable, please explain why the transaction is still appropriate for CBNA. If Standard 3 is applicable, this box can also be used (but is not required) for any other information which will help the approver understand why booking on CBNA is appropriate.

CBNA Booking Template (Continued)

As discussed on the RDAC call, and after have re-grouping with GCM, Risk, and IRM given the implicit "self-help" nature of the transaction and material benefit CBNA would receive as a result. We are recommending a 50/50 booking across CBNA and CNAI based on the following rationale.

History on Existing Exposure / Booking Units

- Citi is currently the Admin Agent and currently holds $235MM in the Valaris $1.6Bn Unsecured RCF (guaranteed by rig owning subsidiaries).
  - $191.25MM of exposure is booked in CBNA and $43.75MM booked in CNAI.
  - The $191.25MM of CBNA exposure stems from our long standing lending relationship with Valaris when it was an investment grade rated offshore driller. In 2017 in exchange for a two-year extension, upstream guarantees covering 85% of rig-owning entities were offered to lenders (in addition to commitment reductions and other structural enhancements). Approval was received to keep the exposure in CBNA as Valaris was a Fallen Angel and the transaction offered significant structural enhancements to our position ahead of scheduled maturity.
  - The incremental $43.75MM was approved in April 2019, in conjunction with Valaris' merger with another Citi client, Rowan Companies. Net, net, Citi received significant commitment reductions (Citi was a lender in the Rowan standalone RCF with a $113MM) of ~$69MM as well as other structural enhancements (guarantees from Rowan rig owning entities and increased minimum coverage covenants). This exposure was booked in CNAI given it was deemed to be an origination of classified exposure.

Rationale for the booking of the DIP in CBNA

1. DIP commitment provides clear path to a filing / Limiting CBNA's pre-petitions exposure
   - The current $1.6Bn Unsecured RCF has $500MM drawn and $1.1Bn of availability. This $1.1Bn can still be used to fund operating losses and debt service costs. Including $39MM of bond interest payments on June 30th, $44MM interest/principal payments in July, and $178MM in August
   - The existing facility does not have any terms which would limit Valaris' access in the near term. Should the company elect to do so, the above payments will be made along with additional borrowings to fund negative free cash flow
   - While the DIP will be a new credit facility (and separate commitment), we are effectively converting the $1.1Bn of remaining of unsecured availability into secured super-priority DIP (net reduction of ~$600MM)
     - Citi will reduce its $235MM in current exposure by ~$88MM to ~$147MM.
       - ❑ The new ~$147MM of total exposure will consist of ~$65MM of pre-petition unsecured RCF and ~$82MM of secured super-priority DIP facility (i.e. reducing unsecured exposure and adding secured exposure).
         - ❖ The tenor of the prepetition exposure is also longer with ~2.25 years remaining (September 2022) vs the 12 month DIP tenor
   - We view the transaction, taken as a whole, to be a material structural enhancement to the existing facility as it effectively shifts the burden of funding from the pre-petition, unsecured RCF to the secured super-priority DIP
2. A bank led DIP facility (vs. noteholder provided DIP) will enable us to have greater control through the bankruptcy case, timing and ultimately how Citi's pre-petition exposure is dealt with upon emergence of bankruptcy keep the banks interest at hand.
   - We view the biggest risk to our pre-petition exposure is a potential cram down of our debt into an unfavourable piece of paper upon emergence. The noteholders are proposing a competing DIP facility, which if successful, will increase the risk of a future cram-down strategy.

CBNA Booking Template (Continued)

3. Material revenues for CBNA:
   - Citibank, N.A. has a historical relationship with Valaris and has earned significant revenues for the bank chain will be compensated for its services as a lender on a secured super-priority DIP.

VAL Historical Revenue ($000')	LTM Apr 20	FY 19	FY 18	FY 17
M + A	-	2,500.0	-	-
CMO	1,783.0	2,771.5	3,479.5	2,440.2
Markets & Securities Services	11.4	91.4	52.1	53.7
Treasury and Trade Solutions	855.0	992.0	1,875.0	2,651.5
Corporate Portfolio Management	2,373.4	2,556.1	2,472.9	1,452.0
Total Client Revenue	**5,022.8**	**8,911.0**	**7,879.6**	**6,597.5**

   - LTM Valaris earned ~$1MM in TTS and ~$2.4MM in CPM revenues. These CBNA revenue streams accounted for ~60% of Valaris LTM revenues.
   - Under the current unsecured RCF Lenders are paid L + 425 with an unused fee of 75 bps. Under the new secured super-priority DIP lenders will be paid L + [600-700], an increase of [175 – 275 bps], and unused commitment will increase 25 bps to 100 bps.
   - We expect fees paid to the bank to include:
     - Corp Chain Entities:
       - $5mm - $7.5mm structure fee
       - $3mm - $4mm of interest / upfront fees (assuming 50% of the DIP in booked in CNAI)
     - Bank Chain Entities
       - $3mm - $4mm of interest / upfront fees (assuming 50% of the DIP in booked in CNAI)
       - $400k - $500k of TTS related revenues based on the existing run rate
   - The DIP will be done on a best efforts basis and will not be underwritten, eliminating CBNA/CNAI from having an outsized hold
   - Overall transaction returns are expected to be in excess of 150%
   - Based on historical revenues and expected revenues earned through the 12 months bankruptcy process, we are proposing a split booking across CBNA and CNAI of 50% each

Franchise Risk Assessment Template Appendix 6B

Credit Approval Package for	Project Verge	DATE	June 2020

This is a mandatory component of all Credit Approval Packages.

1. Franchise Risk Assessment

Are there any potential franchise risk issues ith this name?

Consider all relevant issues/risks/transactions included but not limited to the NPAC Policy, Structures Finance Policy, Tax Policy, ESRM Policy, Carbon Principles, AML Policy.

NO [X] (Proceed to Step 2) YES [ ] (Proceed to Step 3)

2. No Franchise Risk Attestation

If it is deemed that there is no franchise risk, confirm and expand on the following [1]

a) There are no known transactions that fall under the scope of the Structured Finance policy because (e.g. "the client is not a covered client", "we provide no financing" or "all financing transactions are account for as debt"): *CONFIRM* [X]

Rationale: All financing transactions are accounted for as debt.

b) Since the last review, there have been no transactions with this client requiring NPAC review/approval. *CONFIRM* [X]

Rationale: Since the last review, there have been no transactions with this client requiring NPAC approval.

c) There are no other known legal or regulatory issues in relation to this client or our relationship with the client. *CONFIRM* [X]

Rationale: There are no other known legal or regulatory issues in relation to this client our relationship with the client.

[1] *If any time cannot be confirmed as, please go to Step 3 and explain.*

3. Franchise Risk Exists

An explanation of the franchise risk and any mitigation or disclosure is required. Topics that should be included in the fran chise risk discussion where relevant are:

- Description of any transactions requiring NPAC approval
- Discussion of the ways that the franchise risk could manifest itself (loss of other clients, exposures to the press etc)
- Any mitigants that may exist

E SRM - We are not aware of any material social and environmental issues related to the Company.

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Anti-tying Policy Worksheet & Certification
You should consult with Legal if you have any questions on how to complete this Anti-tying Policy Worksheet & Certification.

Definition of "Extension of Credit": For the purposes of this Anti-tying Policy Worksheet & Certification, an **"Extension of Credit"** means a loan, letter of credit or financing lease; a renewal, rollover or restatement of a loan, letter of credit or financing lease; or an amendment that changes the amount, tenor or interest rate for a loan, letter of credit or financing lease. Without limitation, the term "financing leases" includes leveraged leases.

Non-U.S. Customer:
Definition of "Non-U.S. Customer": Appendix Four of the Anti-tying Control Procedures ("Determination of Non-U.S. Customer and Related Exceptions") provides guidance as to when an Extension of Credit may be booked in a Bank Chain Vehicle in reliance on the Non-U.S. Customer Exception. A corporate "Non-U.S. Customer" is a company that is incorporated or organized in a non-U.S. jurisdiction and has its principal place of business in a non-U.S. jurisdiction. Notwithstanding the foregoing, the Non-U.S. Customer Exception does not apply in each of the following situations: (i) a Non-U.S. Customer does not include a corporate customer the "non-U.S." identity of which is derived from its headquarters or principal business location, but which has a significant majority of its operations in the U.S., (ii) a Non-U.S. Customer does not include a non-U.S. finance company the principal function of which is to remit funds to, or provide financing for, the U.S. operations of its parent or affiliates, or (iii) if a U.S. entity provides a guaranty or letter of credit supporting an Extension of Credit to a Non-U.S. Customer, and the credit decision for the Extension of Credit is based entirely on such guaranty or letter of credit from the U.S. entity, then the Non-U.S. Customer Exception will not apply. Based on these guidelines, the following question should be answered:

Does the Non-U.S. Customer Exception (per the guidelines set forth in Appendix Four to the Anti-tying Control Procedures as described above) apply to every borrower to whom the Extension of Credit is being extended? NOTE: If the Non-U.S. Customer Exception applies to every borrower, answer "Yes" to the below question; if the Non-U.S. Customer Exception does not apply to one or more borrowers, answer "No" to the below question.

___ Yes; _X_ No. If the answer to this question is "Yes," then the Sponsoring Officer need not complete the remaining questions in this Anti-tying Policy Worksheet & Certification of the credit approval memorandum.

Tying Issues:
1. Indicate whether or not the Extension of Credit is being made available and/or the pricing is being varied on the condition that the Company take another product or service from any Citi entity, i.e., the facility is "tied" to another transaction (indicate "Yes" even if an exception to the Anti-tying Rules applies): ___Yes; _X_No

If Yes:
- Confirm that Legal was consulted regarding the choice of booking vehicle. ___Yes
- Set forth which exception to the Anti-tying Rules was relied on:
  Corporate Chain Exception: ___
  Traditional Bank Product Exception: ___
  One Product Exception: ___
  Customer-initiated Exception: ___
  Joint/Non-tied Exception: ___

Note: If the facility is offered to a classified customer, be particularly sensitive to the appearance of a tie.

2. Indicate if the Extension of Credit is (i) a bridge loan, (ii) an acquisition financing, or (iii) sponsored or managed by the Leveraged Finance Department or the Real Estate Finance Department ___Yes; _X_No

If Yes:
- Confirm that Legal was consulted regarding the choice of booking vehicle. ___Yes

3. Indicate if the Extension of Credit (the "Refinancing Extension of Credit") amends, replaces or will be used to refinance an existing Extension of Credit (the "Existing Extension of Credit") that is booked in a Corporate Chain Vehicle. _X_Yes; __No.

If Yes:
- Indicate if the booking vehicle for the Refinancing Extension of Credit will be a Bank Chain Vehicle: ___Yes; _X_No
- **If Yes:** Confirm that Legal approved booking the Refinancing Extension of Credit in a Bank Chain Vehicle: ___Yes

NOTE: If the Existing Extension of Credit is booked in a Corporate Chain Vehicle, you must book the Refinancing Extension of Credit in a Corporate Chain Vehicle unless Legal approves otherwise.

4. Indicate if the Extension of Credit is on market terms: _X_Yes; ___No. If the answer is "No", confirm that Legal was consulted: ___Yes

_X_ Check this box to indicate the Sponsoring Officer's certification that the Extension of Credit has not been illegally tied. Name of Sponsoring Officer certifying: Derrick Lenz

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